Water Security Agency

2013-14
ANNUAL REPORT

Government of Saskatchewan

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For more information on the Water Security Agency or to obtain a digital copy of this report please visit www.wsask.ca.

Letters of Transmittal - Minister

July 29, 2013

Her Honour the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May It Please Your Honour:

I respectfully submit the Annual Report of the Water Security Agency for the fiscal year ending March 31, 2013.

Our Government recognizes that water is critical to the continued economic and population growth of this province. In the section of the Saskatchewan Plan for Growth titled "Securing Saskatchewan's Water Future", four key initiatives are identified:

- The 10 year infrastructure renewal plan;
- The five year Boreal Watershed Initiative;
- The 25 Year Saskatchewan Water Security Plan; and
- Creation of the Water Security Agency.

To support development of the Saskatchewan Plan for Growth a high priority was placed through the first six months of the year on developing the Water Security Plan and preparing to create the Water Security Agency. The Water Security Agency was created in October 2012 and the 25 Year Saskatchewan Water Security Plan was released at the same time. These two initiatives provide the structure and the agenda considered necessary to move forward on water issues and ensure that sustainable water supplies continue to support the province's growth and quality of life.

The 25 Year Saskatchewan Water Security Plan was developed following extensive consultations. People from across the province contributed valuable comments and suggestions which helped in developing the plan. The Plan includes commitments to continued consultation, including creation of a Water Council.

Work on the 10 year infrastructure renewal plan continued with projects at several sites including Moose Mountain Dam, Gardiner Dam, Alameda Dam and the Upper Qu'Appelle Conveyance Channel.

The Government of Saskatchewan is committed to delivering and building on its promises to the people of Saskatchewan. We remain committed and accountable for responsible fiscal management. The Water Security Agency was created by transferring programs and staff from existing agencies. No new positions were created.

Part of our accountability is this Annual Report. Because the Water Security Agency was created during the fiscal year, we report on progress on each of the commitments made in the Saskatchewan Watershed Authority's Plan for 2012-13. We also report on several commitments from the Ministry of Environment's Plan for 2012-13 for which responsibility was transferred to the Water Security Agency, as well as on performance measures from both plans. This ensures full accountability for all government commitments is maintained.

Creation of the Water Security Agency has created a strong focus on water which is unique in Canada. It will address our water future as we plan for our growth. I am looking forward to working with the staff at the Water Security Agency as we work to implement the 25 Year Water Security Plan.

The Honourable Ken Cheveldayoff

Ken Cheveldayoff

Minister Responsible
Saskatchewan Water Security Agency

Letters of Transmittal - President

June 29, 2013

The Honourable Ken Cheveldayoff
Minister Responsible
Saskatchewan Water Security Agency

I have the honour of submitting the Annual Report of the Water Security Agency for the fiscal year ending March 31, 2013. Management is responsible for financial and administrative management of the Water Security Agency and was responsible for preparation of this report. I affirm that the information included in this report is factual and complete.

This report covers work of the Water Security Agency since its creation in October 2012, work of the Saskatchewan Watershed Authority from April 1 to October 1, 2012 and a number of actions of Ministry of Environment for programs transferred to the Water Security Agency.

Development of the 25 Year Saskatchewan Water Security Plan was a major accomplishment during the year. I wish to acknowledge the important contributions made by Elizabeth Quarshie, Deputy Minister of Environment and her staff, who administered the first round of public consultations on water in 2011. Those consultations provided a strong starting point for the discussion document and second round of consultations in 2012. Most importantly I wish to acknowledge the many men and women who share our concern for water and took time to attend meetings or write to us. They helped us develop the Water Security Plan. Work is already underway on a number of plan initiatives including development of new legislation and developing a results-based drainage works approval process.

The Water Security Agency was established October 1, 2012. The new agency was created to implement the 25 Year Saskatchewan Water Security Plan and was established by combining the drinking and wastewater, water quality and habitat alteration permitting functions from Ministry of Environment , all programs and staff of the Saskatchewan Watershed Authority, and responsibility for a canal and pump station and a Pumping Equipment Rental Program from the Ministry of Agriculture.

The Provincial Toilet Replacement Rebate Program was successfully brought to completion. During the 51-month program, 65,471 toilets were replaced with water efficient models. Since its inception, the program has saved more than 4.46 billion litres of water, a number which will continue to grow each year.

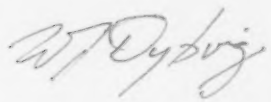
To address long term flooding issues, the Roy Lake and Opimihaw Creek Watershed Associations were formed. These new watershed associations allow local governments to work together to develop regional solutions to flood problems.

Following the 2011 runoff and flooding, the Saskatchewan Watershed Authority had asked the Centre for Hydrology at the University of Saskatchewan to review Lake Diefenbaker operations. The Water Security Agency has acted on a number of the recommendations coming from that review. Upgrades to the Moon Lake and Garden River hydrometric stations were completed and installation of a new station near the Forks on the Saskatchewan River is planned. A new computerized data management system for hydrometric data has been acquired and installed. A review of the operating plan for Lake Diefenbaker has been initiated. Public consultations have been completed and work is underway to assess alternative operating strategies. A new operating plan will be implemented in 2014.

The Water Security Agency provided regulatory oversight of the drinking and wastewater facilities overseen by Ministry of Environment prior to October 1. The two agencies conducted 726 inspections of waterworks during the year to ensure safety of our drinking water.

Emergency preparedness plans are an essential component of our dam safety program. In the event of an emergency, a quick and knowledgeable response can save lives and reduce damages. The Water Security Agency took a major step forward this year with completion of Emergency Preparedness Plans for three of its four major dams. As we move into the first full year as the Water Security Agency, I and all staff of the Water Security Agency are committed to ensuring water supports economic growth, quality of life and environmental well being.

Wayne Dybvig



President
Water Security Agency

Introduction

On October 1, 2012, the Water Security Agency was created to lead implementation of the 25 Year Saskatchewan Water Security Plan and improve water management capacity.

Creation of the Water Security Agency consolidates the government's core water management expertise and brings various provincial responsibilities for water together, eliminating overlap and improving service delivery through the use of a one-window approach to applications, licensing and program accessibility.

Because the Water Security Agency was created during the year, this annual report presents the results on activities and outcomes identified in the plans of its predecessors for the fiscal year ending March 31, 2013. It reports to the public and elected officials on public commitments made and other key accomplishments of the Water Security Agency. The report covers all commitments in the Saskatchewan Watershed Authority's 2012-13 Performance Plan, as well as on actions from the Ministry of Environment's plan for which responsibility was transferred to the Water Security Agency.

Although a renewed vision in the Saskatchewan Plan for Growth – Vision 2020 and Beyond was introduced in October 2012, the 2012-13 Annual Report will be presented in relation to the vision and goals that guided the development of the 2012-13 Plan. The direction in the Saskatchewan Plan for Growth is reflected in the Water Security Agency's 2013-14 Performance Plan.

Results are provided on publicly committed strategies, actions and performance measures identified in the 2012-13 plans.

The report also demonstrates progress made on Government commitments as stated in the Government Direction for 2012-13: Keeping the Saskatchewan Advantage, the Minister's Mandate letter, throne speeches and other commitments and activities of the Water Security Agency.

The annual report demonstrates the Water Security Agency's commitment to effective public performance reporting, transparency and accountability to the public.

Alignment with Government's Direction

The Water Security Agency's activities in 2012-13 align with Government's vision and four goals:

Our Government's Vision

A strong and growing Saskatchewan, the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life.

Government's Goals

- Sustaining growth and opportunities for Saskatchewan people.
- Improving our quality of life.
- Making life affordable.
- Delivering responsive and responsible government.

Government's vision and four goals provide a directional framework for all ministries and agencies. The 2012-13 plans were developed to align with these priorities in order to achieve greater success in the efficient delivery of government services.

Together, all ministries and agencies support the achievement of the Government's four goals and work towards a secure and prosperous Saskatchewan.

Agency Overview

The Water Security Agency is a new Treasury Board Crown Corporation, which was created by bringing together all programs of the former Saskatchewan Watershed Authority; drinking and waste water, aquatic habitat protection permitting, and water quality management programs of the Ministry of Environment; M1 Canal and East Side Pump Plant, and Water Pumping Equipment Rental Program of the Ministry of Agriculture; and limited scope pipelines from Ministry of Health.

The Water Security Agency is responsible for managing the water supply, protecting water quality, ensuring safe drinking water, managing dams and water supply channels, reducing flood and drought damage and providing information on water. The Water Security Agency works to integrate all aspects of provincial water management to ensure water supplies support economic growth, quality of life and environmental well being.

Much of Saskatchewan depends on ground water for domestic, municipal, industrial and agricultural uses. To protect this resource, the Water Security Agency licenses all but domestic users to ensure new development does not adversely impact existing users. The Water Security Agency also operates the provincial ground water monitoring network, conducts regional ground water mapping and resource assessment, and provides information to citizens and industry to help locate ground water supplies.

As of October 1, 2012, all of the Ministry of Environment's programs and services associated with municipal drinking water and wastewater operations and affiliated surface and ground water protection were transferred from the Ministry of Environment to the Water Security Agency, as was responsibility for limited scope pipelines from Ministry of Health. This transfer resulted in the full or partial transfer of some of the key action items from the Ministry of Environment's 2012-13 Performance Plan to the Water Security Agency's 2012-13 Annual Report. Responsibility for the M1 canal and water pumping equipment rental program transferred from Ministry of Agriculture on March 31, so Ministry of Agriculture reports on actions related to those programs for 2012-13.

The Water Security Agency now leads the ongoing planning, implementation and reporting associated with drinking water governance and management; implements, inspects and regulates compliance for all of the 796 regulated waterworks and the 588 regulated wastewater facilities in Saskatchewan; monitors surface water quality at 24 primary surface water quality stations in Saskatchewan; manages the drinking water information database (Environmental Management System [EMS]) that stores all of the water quality and inspection data for all of Saskatchewan's regulated water and wastewater works, as well as all of the collected surface water quality data; and manages the SaskH2O.ca website that contains drinking water-related information gathered from water management authorities within the province.

Sound water management and expertise is crucial to successfully meeting the demands of a growing population and economy while maintaining healthy ecosystems. The Water Security Agency, through the Water Availability Study and hydrometric and water quality programs, is making significant investments to improve the knowledge of the quantity, quality and use of surface and ground water supplies in Saskatchewan.

The Water Security Agency also maintains and operates 45 dams and 130 kilometres of conveyance channels (plus ancillary works), and makes significant investments in the rehabilitation and upgrading of this infrastructure each year.

The Water Security Agency provides various hydrology services necessary for proper water management including flood forecasting, operation planning, sustainable water allocation, and low risk building development. In partnership with the Government of Canada, the Water Security Agency operates a 283-station hydrometric network to collect data on stream flows and lake levels. All major surface water allocations, including municipal, industrial, irrigation and intensive livestock uses, are approved by the Water Security Agency to ensure water use is sustainable. Representatives from the Water Security Agency also represent Saskatchewan on trans-boundary water issues through groups like the Prairie Provinces Water Board.

To reduce flood damage, Water Security Agency hydrologists map areas at risk in a 1:500 year flood and work with the Ministry of Government Relations to ensure the at-risk development is prevented in those areas. The Water Security Agency provides funding to municipalities, Conservation and Development Area Authorities and Watershed Associations through the Water Control Program to maintain water channels and reduce flood risk.

The Emergency Flood Damage Reduction Program was initiated in 2011-12, which helped clients prevent and mitigate flood damage. Due to continuing flood risk in some areas the program was extended into 2012.

Public understanding, support and participation are crucial to effective water management, including efforts to protect source water. The Water Security Agency works with community representatives to develop source water protection plans for watersheds and aquifers. Plans include initiatives to help landowners improve watershed health through restoration of riparian areas, protection of wetlands and grasslands, and encouragement of management practices that benefit fish and wildlife.

As of March 31, 2013, 11 source water protection plans are complete, including: the Assiniboine River; Carrot River;

Lower Souris River; Moose Jaw River, North Saskatchewan River; South Saskatchewan River; Swift Current Creek; Upper Qu'Appelle River; Upper Souris River; and the Wascana Creek Watersheds, as well as a plan for the Yorkton area aquifers. The Old Wives Lake Watershed is the only watershed that is currently in the process of developing a source water protection plan.

The groups formed to implement the source water protection plans are important partners.

The Water Security Agency works with and provides financial support to these groups to implement the plans. Conservation and Development Area Authorities, Watershed Associations and Rural Municipalities are also key partners. The Water Security Agency also supports their work with grants delivered under the Water Control Program.

Legislative Responsibilities

The Water Security Agency administers and is responsible for the following legislation:

- *The Water Security Agency Act,*
- *The Conservation and Development Act*
- *The Water Power Act*
- *The Watershed Associations Act*
- Portions of *The Environmental Management and Protection Act, 2002*
- Portions of *The Public Health Act, 1994*

Funding Sources

The Water Security Agency relies on several revenue sources, including grants from the province's General Revenue Fund; water rental charges through *The Water Power Act*; industrial water use charges; grants from the Ministry of Environment, Fish and Wildlife Development Fund; and contracts with government and non-government agencies, associations and other sources.

Organizational Structure

The Water Security Agency reports to the Honourable Ken Cheveldayoff (minister responsible) and is governed by a one-person board of directors, which is also the minister responsible.

The Water Security Agency has six divisions (see Appendix A), including:

- Corporate Services;
- Drinking Water and Wastewater;
- Engineering and Geoscience;
- Integrated Water Services;
- Legal, Regulatory and Aboriginal Affairs; and
- Policy and Communications.

At the end of the reporting period, March 31, 2013, the Water Security Agency had 209 employees (202.91 full-time equivalents).

This is an increase compared to the former Saskatchewan Watershed Authority and reflects transfer of programs and staff in creation of the Water Security Agency.

The Corporate Services Division also provides payroll services, finance, and information technology support to SaskWater on a contractual basis. The Water Security Agency's Head Office is located in Moose Jaw, but many services and programs are delivered through its regional and environmental services offices in Meadow Lake, Melfort, Melville, Moose Jaw, Nipawin, North Battleford, Prince Albert, Regina, Saskatoon, Shaunavon, Swift Current, Watrous, Weyburn and Yorkton. Offices are also located at the Gardiner and Rafferty dam sites.

Progress in 2012 - 13

Government Goal: Sustaining Growth and Opportunities for Saskatchewan People

Former Saskatchewan Watershed Authority's Plan – Ensure the water supplies are sustainably used and allocated to meet the needs of a growing province

Present a comprehensive water management plan to provide supply security to residential and commercial users. (2010 Mandate Letter).

- On October 15, 2012, the Government of Saskatchewan released the 25 Year Saskatchewan Water Security Plan, fulfilling a commitment made during the 2011 election. The plan will ensure the sustainability and quality of Saskatchewan's surface and ground water supplies while protecting drinking water supplies from the source to the tap.

Evaluate applications for water use to determine sustainability and impact on other users and decide whether to allocate requested water supplies.

- Water availability analysis and impact assessments were completed for the 163 applications received requesting water allocations to support proposed development.

Complete delivery of the Provincial Toilet Replacement Rebate Program to the residential sector as well as institutions, non-profit organizations, municipalities and First Nations and prepare a draft report on the program.

- The Water Security Agency successfully completed the Provincial Toilet Replacement Rebate Program for the residential sector as well as institutions, non-profit organizations, municipalities, and First Nations. The program ran from January 1, 2009 to December 31, 2012 and processed 49,853 applications.

Develop and implement options for further water conservation programming.

- The Water Security Agency is continuing to explore other opportunities for further water conservation and efficiency.

Prepare a new reservoir operating plan for Lake Diefenbaker.

- Seven consultations meetings with First Nations and stakeholders were held toward development of a new reservoir operating plan. Water Security Agency is now modeling suggested operating regimes prior to developing a final operating plan.

Review operating plans for Rafferty, Alameda, and Boundary reservoirs.

- This is an International Joint Commission (IJC) and International Souris River Board initiative. A detailed plan of study consisting of various work items for the next two years has been submitted by the IJC to senior federal governments for consideration of funding.

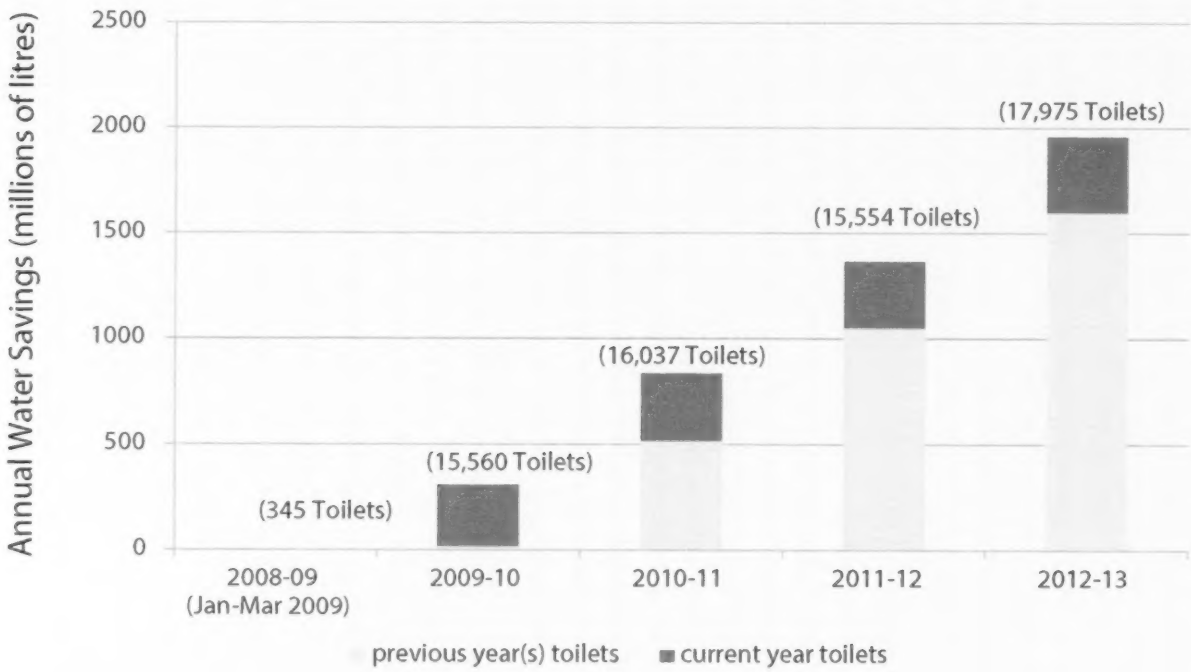
Continue the Regina East groundwater science program to provide the technical information needed to support the allocation plan.

- The Water Security Agency has been involved with the Regina East groundwater science program by continuously collecting and analyzing the water level elevation data from the 21 piezometers in the area.
- The Water Security Agency is proposing to perform water quality sampling to possibly determine the regional location of recharge and discharge zones in the area.

Begin a multi-year assessment of cumulative effects for high risk aquifers.

- The Stress-Condition-Responses were assessed internally by groundwater staff for 16 identified risks. Each risk was evaluated, scored, and ranked according to Water Security Agency Risk Assessment score sheets. A draft report identifying the individual risks and a discussion of the qualitative measures has been completed for high risk aquifers.

Toilets replaced and estimated annual water savings due to the Provincial Toilet Replacement Rebate



Toilets are the largest consumer of water in a household, and the widespread transition to low-flow toilets supports sustainable water use. Reduced water use also results in a reduction of CO_2 emissions due to reduced pumping and water treatment requirements. The Provincial Toilet Replacement Rebate Program, funded through Go Green Saskatchewan, began in January 2009 and ended on December 31, 2012. The program provided a $50 rebate for replacing an older, 13-litre or greater toilet with a low-flow model.

The Water Security Agency promoted this program through a variety of marketing efforts, but uptake is dependent on purchasing decisions of individuals.

This measure presents the estimated annual water savings due to toilets replaced under the program in a given fiscal year. In addition, the measure now presents the ongoing annual water savings from past toilet replacements under the program, as the one-time investment in a new toilet will continue to provide water savings as long as that toilet is in place, and this more accurately reflects the true water savings captured by the program.

The water savings measure is calculated on the basis of the difference between the old toilet flush volume and the new low-flow toilet flush volume and the average number of flushes per-toilet-per day based on average occupancy per household.

Between April 2012 and the end of March 2013, 17,975 toilets were replaced, accounting for an estimated 359.7 million litres of water savings and 1,006 tonnes of CO_2 avoided. In total, 65,471 water efficient toilets were replaced under this program, which has saved more than 4.46 billion litres of water and avoided more than 13,400 tonnes of CO_2 emissions to date.

Former Saskatchewan Watershed Authority's Plan – Ensure the water supply information is available and understood to meet the needs of a growing economy

Former Saskatchewan Watershed Authority's Key Actions & Results

Continue the multi-year Water Availability Study, a $7.5 million project to develop the information on water supply and water use needed to support sustainable water resource decisions that can address economic growth and adjust to changes in our water supply due to climate change.

- Project charters were developed and work was initiated for the following initiatives:
  - Design, develop and implement a Geographic Information System (GIS) web-based mapping application.
  - Groundwater geologic and hydrostratigraphic mapping for the Weyburn Mapsheet
  - Development of a water supply model for the South Saskatchewan River System.
  - Development of decision support tools for environmental instream flow needs.
  - Determination of water use in the province by sector and watershed.
  - Value of Water study.
- Completion of the Water Demand Study, which forecasted water demand for major Saskatchewan basins by sectors for three future periods: 2020, 2040 and 2060. The study considered three scenarios, including water conservation, climate change and a baseline scenario. Future water demands were estimated for human and non-human uses.

Continue to collect and assess water quality data from critical sites related to the Water Security Agency's activities, including Fishing Lake, Lake Lenore, Qu'Appelle River and Qu'Appelle Valley lakes, and Lake Diefenbaker, to determine ecosystem health status and trends and inform decision making.

- During this fiscal year, water quality data were collected and assessed from critical sites, including Fishing Lake, Lake Lenore, Qu'Appelle River and lakes, and Lake Diefenbaker.
  - Water quality data collected at and downstream of Fishing Lake was used to demonstrate that operation of the control structure for the new conveyance channel had an insignificant effect on water quality entering Manitoba.
  - The data collected from the Qu'Appelle River system will be used to develop site specific surface water quality objectives as part of the Water Management Agreements being negotiated with Qu'Appelle First Nations, and the Lower Qu'Appelle Watershed Planning process.
  - The data collected from Lake Lenore and the surrounding lakes are being used to assess salinity changes in lakes within the watershed resulting from high water levels.
  - The data collected from Lake Diefenbaker provide long-term water quality monitoring in this reservoir, which provides drinking water for half our population.
- Water quality in several smaller streams and rivers was sampled as part of a long-term monitoring program to improve understanding of factors affecting water quality in prairie streams.

Operate 300 hydrometric stations with Canada through the federal-provincial hydrometric network.

- The current list of operating hydrometric stations was updated. As well, key additional temporary hydrometric stations were added to the provincially operated program and four hydrometric stations for SaskPower were added to the federal-provincial network.

Develop a plan to address the hydrometric data backlog so information is available for water supply evaluations.

- Former staff from the Water Survey of Canada have been hired on a temporary basis to address the backlog, in particular 2011 and 2012 data.

Provide timely hydrometric data for provincial purposes.

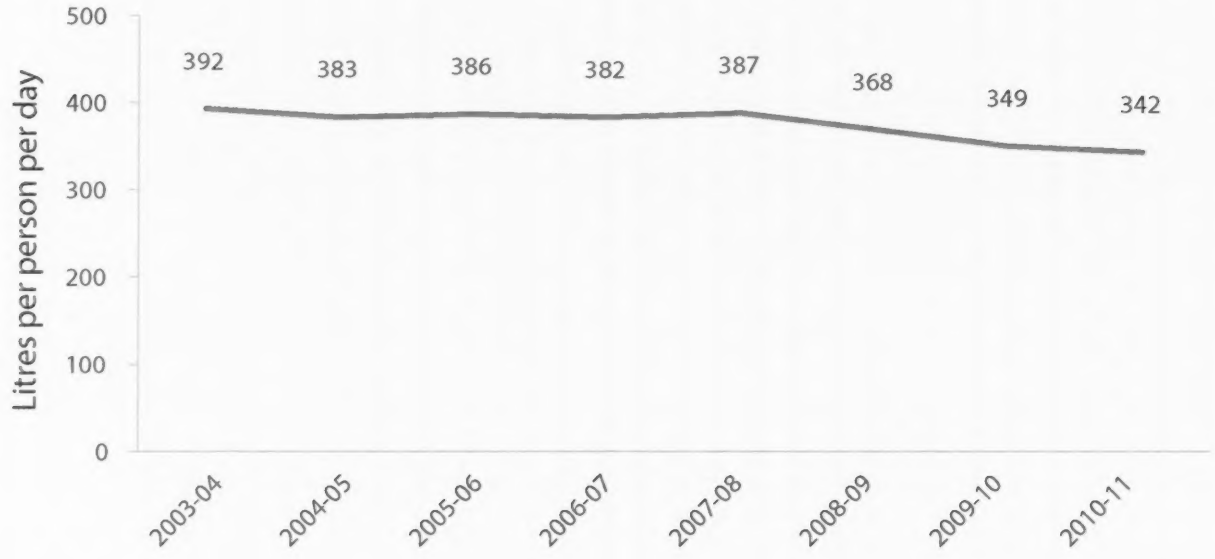
- The Provincial Hydrometric Program was operated and data streams were maintained. Additional data sources were streamed in near real time via the Water Security Agency time series software Aquarius.

Operate the 70-station provincial groundwater monitoring network (the observation well network).

- The network was operated and maintained, with the data provided at wsask.ca for public use.

Former Saskatchewan Watershed Authority's Performance Measure & Results

Winter municipal per capita water consumption



Note: Data is collected on a calendar year basis. The 2012 data required for the Nov. 2011-March 2012 timeframe is not yet available
Source: Water Security Agency 2013

This measure indicates water conservation as it relates to municipal and First Nations community water use, including use in the home, in businesses, and for public services such as firefighting, road building, public pools and rinks. It also includes water lost due to system leakage. Only the winter consumption measure is presented, as it more clearly shows trends in municipal water use. Data is derived from community water use records, submitted annually to the Water Security Agency, compared to population records from current Ministry of Health data, or to current census data where Health data is not available.

Residential water conservation is a critical component of overall municipal water conservation. In 2006, residential water use in Saskatchewan accounted for an estimated 44 per cent of the total annual municipal use. Toilets alone account for an estimated 30 per cent of in-home residential use. The Water Security Agency promotes conversion to low flow toilets through the Provincial Toilet Replacement Rebate Program and raises awareness of additional water conservation opportunities.

The data indicate a downward trend in per capita municipal water use in recent years. As the Water Security Agency's current water conservation initiatives are focused on promoting residential conservation practices, they should directly influence this measure.

Former Saskatchewan Watershed Authority's Plan - Develop and rehabilitate the Water Security Agency-owned water management infrastructure to support economic growth

Former Saskatchewan Watershed Authority's Key Actions & Results

Provide technical support to complete a feasibility study for a new water supply channel from Lake Diefenbaker to Buffalo Pound Lake.

- The South Central Enterprise Region completed an engineering and economic feasibility study of a water canal extending from Lake Diefenbaker to Buffalo Pound Lake. As designed, the canal would be capable of satisfying long term industrial and municipal demands in the Qu'Appelle River basin as well as supply water to approximately 135,000 acres of irrigation.

Undertake rehabilitation of priority works, including the following:

Moose Mountain Dam – Raise dam crest, enlarge spillway capacity and stabilize downstream dam slope;

- In September, a $1.75 M contract was issued to undertake the rehabilitation of Moose Mountain Dam. Approximately 83 per cent of the work was completed prior to fall freeze-up. The remaining work will be completed in the summer 2013.

Lumsden Flood Control Project – Replace corroded drain inlet structure 1A-3 at the Town of Lumsden; and,

- Lumsden owns the drain inlet structure and has elected not to proceed with its replacement in 2013.

Gardiner Dam – Design electrical system upgrades for spillway gates; replace all motors on spillway gates and improve efficiency of foundation seepage system.

- The design of the electrical system upgrades at the Gardiner Dam spillway was completed. The upgrades will be tendered in the spring of 2013.

Undertake required assessments to design needed dam safety upgrades at Alameda Dam.

- An engineering consultant was engaged in late 2012 to investigate potential dam safety issues. Comprehensive geotechnical investigations and laboratory testing were completed during the year. Detailed stability and deformation modeling were initiated and are scheduled to be completed by August 2013.

Complete agreement with Agriculture and Agri-Food Canada to transfer Qu'Appelle water control structures to the Water Security Agency with appropriate compensation.

- Negotiations were suspended with the federal government pending full resolution of First Nations flood claims and acquisition of land control where reservoir levels impact First Nations land. It is anticipated that negotiations for some federal structures can resume in 2013-14.

Investigate and design measures to restore some or all of the original flow capacity of the Upper Qu'Appelle channel.

- Water Security Agency pursued investigations of maintenance measures that would partially restore the original conveyance capacity of the Upper Qu'Appelle channel. Once this maintenance is undertaken, sufficient conveyance capacity would exist to accommodate additional water demands, which could be realized in the short term.
- A feasibility level engineering study was also commissioned to assess conveyance options which would satisfy long term municipal and industrial water demands in the basin. Completion of this study is scheduled for June 2014.

New Action

- The Water Security Agency assumed ownership of the M1 Canal and the East Side Pumpstation from the Ministry of Agriculture effective March 31, 2013. These works supply water to the South Saskatchewan Irrigation District as well as for industry, irrigation, recreation and municipal uses from the Saskatoon Southeast Water Supply System. As part of the works transfer, the Water Security Agency will be assuming responsibility for completing a multi-year rehabilitation program for the M1 Canal. To ensure that this work was not interrupted, the Water Security Agency collaborated extensively with the Ministry of Agriculture on related administrative and engineering matters during the latter half of the year.

Ministry of Environment's Plan - Regulatory environment is timely, clear and encourages innovation

Ministry of Environment's Key Actions & Results

Implement the Saskatchewan Environmental Code to be followed by anyone conducting activities regulated under environmental legislation in Saskatchewan.

- Review of public comments received from the January-March 2012 public consultations on the first edition of the Saskatchewan Environmental Code has been

completed. A summary document of comments is being completed for public release. A Code Development Committee recommended adoption of the Saskatchewan Environmental Code to the Minister Responsible in summer 2012. The Ministry of Environment and the Water Security Agency developed and submitted a package for regulatory approval process during the 2012-13 fiscal year. Adoption of the code is anticipated by summer 2013.

- The Drinking Water and Wastewater Management Division of the Water Security Agency has completed work on preparation of three Environmental Code chapters and drafted revisions to *The Water Regulations, 2002* needed to support implementation of the Environmental Code and Proclamation of EMPA 2010.

Government Goal: Improving our Quality of Life

Former Saskatchewan Watershed Authority's Plan - Ensure the Water Security Agency-owned water structures are safe and maintained

Former Saskatchewan Watershed Authority's Key Actions & Results

Undertake dam safety activities to assess and manage the safety of the Water Security Agency works, including the following:

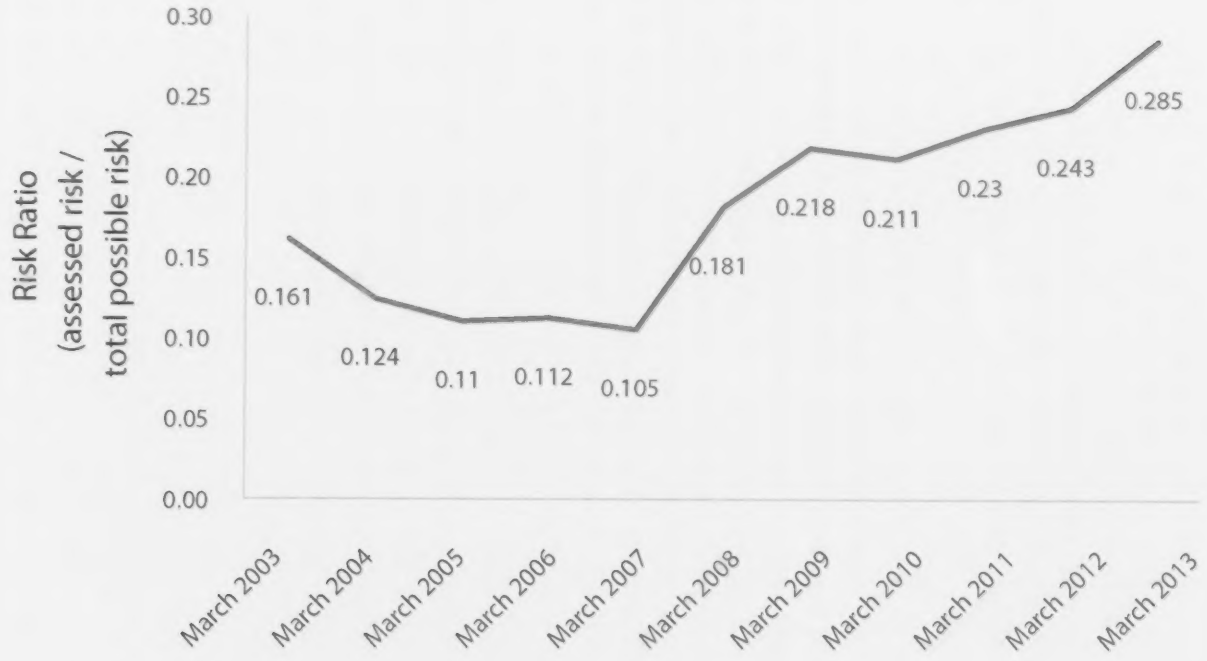
- Finalize Emergency Preparedness Plans for Gardiner, Rafferty and Alameda dams, following review by stakeholders;
  - Emergency Preparedness Plans were finalized for Rafferty and Alameda dams during the year. Stakeholder meetings were held in Estevan and Oxbow in February 2013 to review these emergency preparedness plans. The Gardiner Dam Emergency Preparedness Plan was approximately 97 per cent complete by year end. Completion of the Gardiner Dam Plan and stakeholder meetings are tentatively scheduled for the first quarter of 2013/14.
- Test Emergency Response Plans for Gardiner, Rafferty, and Alameda dams;
  - Owing to other work priorities and position vacancies, preparation and testing of the Emergency Response Plans was not completed during the year.
- Prepare and finalize an Emergency Preparedness Plan and an Emergency Response Plan for Qu'Appelle River Dam;
  - Owing to other work priorities and position vacancies, minimal progress was achieved on this activity.
- Commission independent Dam Safety Reviews of Blackstrap South, Blackstrap North, Hugonard and Buffalo Pound dams;
  - Dam Safety Reviews and Failure Mode Analyses were completed for all four dams. In addition, data books were prepared for each of the dams.
- Complete a condition assessment of the subsurface drainage systems for the Rafferty Dam spillway and the Qu'Appelle River Dam outlet structure.
  - The assessment of the Qu'Appelle River Dam outlet structure was completed; however, the results indicated a more detailed assessment will be required in 2013/14.
  - The assessment of the Rafferty Dam spillway drainage system was deferred until 2013/14, owing to unavailability of specialized confined space entry equipment. All equipment was purchased prior to year end.

Review and update Probable Maximum Flood studies for Rafferty, Alameda and Boundary dams.

- Probable Maximum Flood as well as stochastic inflow analyses were completed for Rafferty and Alameda reservoirs. Updating of recent studies for Boundary Reservoir were deemed not necessary.

Former Saskatchewan Watershed Authority's Performance Measure & Results

Risk associated with Water Security Agency dams



Source: Water Security Agency 2013

This graph shows the Water Security Agency's progress in upgrading its dams to acceptable standards, and the overall risk associated with these works. As an intermediate outcome measure, the Water Security Agency uses a ratio of the assessed current risk to the total possible risk to establish targets and measure progress in reducing risk associated with its dams. Risk, defined as the likelihood of a failure multiplied by the consequences of a failure, has been assessed in relative values. The Assessed Current Risk is determined by multiplying the Failure Rating and the Consequence Rating for each structure.

The information used to determine failure likelihood values comes from a variety of sources including: annual inspections; internal and external dam safety reviews; design and assessment studies; issue identification by site staff/ project operators; and review of dam performance monitoring data. Consequence ratings are assessed for each structure and based upon an estimation of life safety, economic damages and restoration costs in the case of a failure.

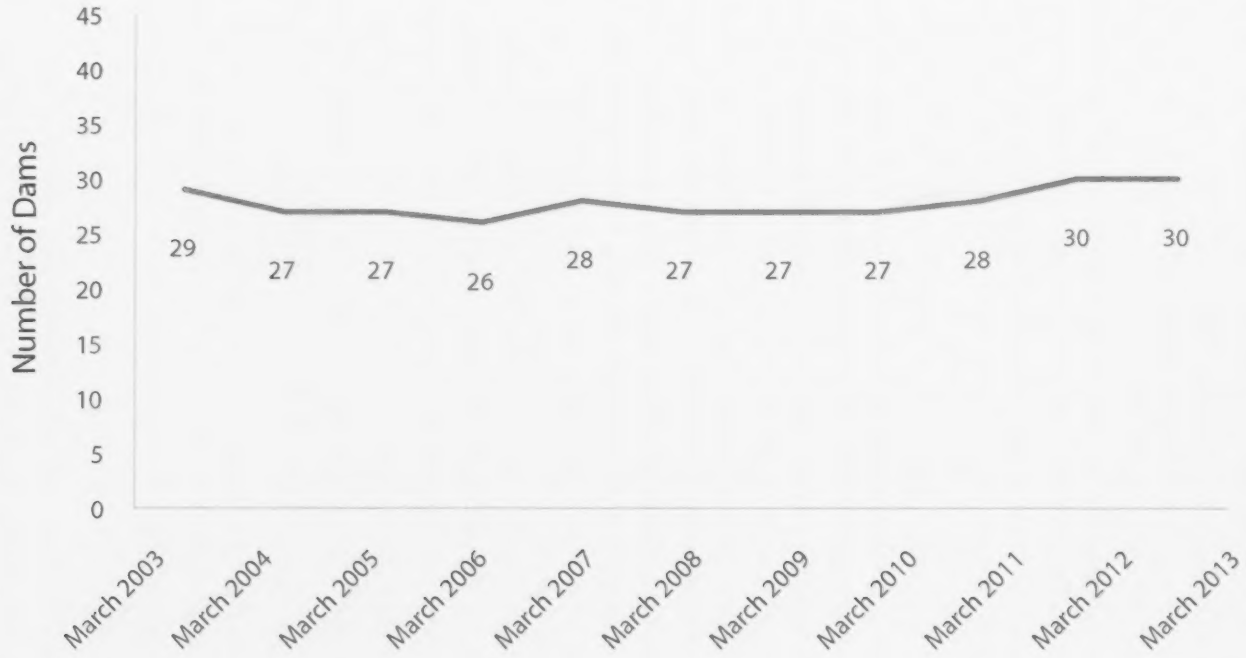
A lower ratio indicates safer infrastructure, with a ratio of zero indicating no current assessed risk. Numerically the risk ratio can be expressed as:

Risk Ratio = Σ Assessed Current Risk / Σ Total Possible Risk.

The risk ratio rose in 2012-13 again, principally due to increased assessed risks at some of the Water Security Agency's Extreme and High Consequence dams.

Former Saskatchewan Watershed Authority's Performance Measure & Results

Number of dams requiring upgrades to meet safety and operational criteria



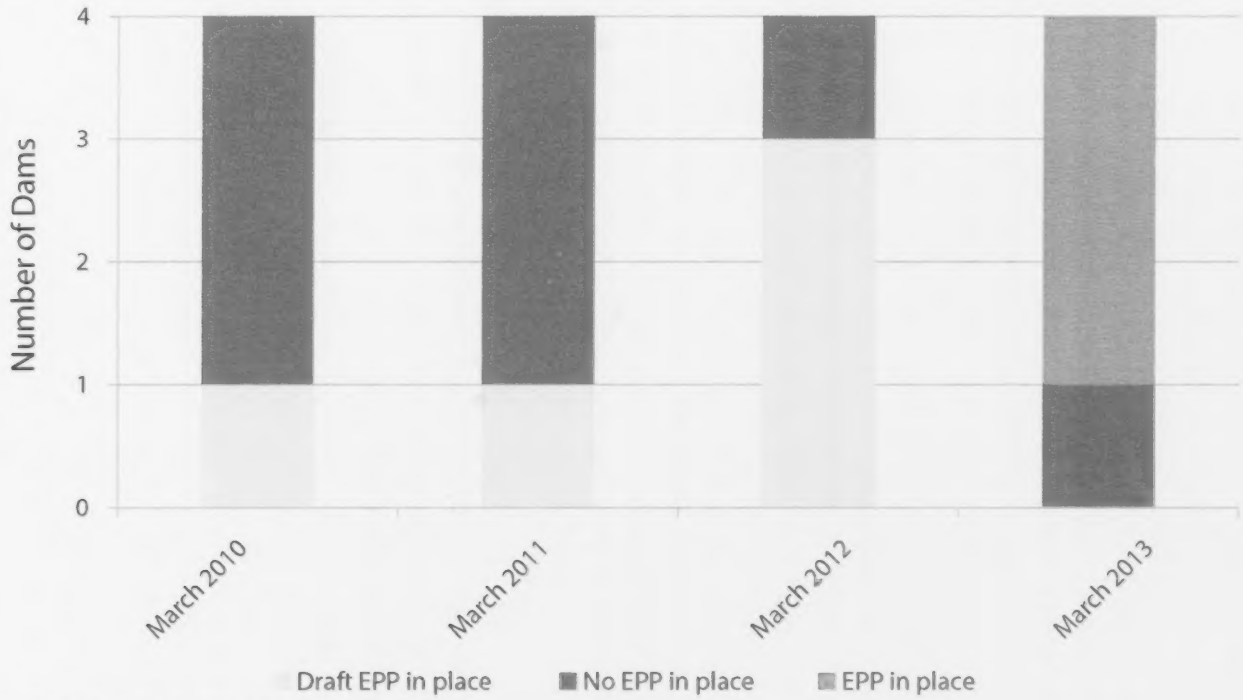
Source: Water Security Agency 2013

This measure quantifies the number of Water Security Agency dams which require upgrades to meet the provisions of the Dam Safety Guidelines (2007) published by the Canadian Dam Association. The Water Security Agency is responsible for the operation and maintenance of forty-five dams and, like all provincial governments and major utilities across Canada, manages its works generally in accordance with these guidelines. Depending upon the dam, a failure could have significant economic and safety consequences. However, unlike the risk ratio, this measure does not indicate the severity of the identified deficiencies. This measure is useful in gauging progress made over time to reduce the number of deficient dams. Dams assessed to have a Failure Likelihood of three or greater (maximum possible = 29) are deemed to be deficient dams. The information used to determine Failure Likelihood values comes from a variety of sources including: annual inspections; internal and external dam safety reviews; design and assessment studies; issue identification by site staff/project operators; and review of dam performance monitoring data.

The number of dams requiring upgrades remained at 30 structures. As with the previous measure, this measure is of interest to the Government as the upgrading and safety of dams is fundamental to public safety and to dependable water supplies to support the economy.

Former Saskatchewan Watershed Authority's Performance Measure & Results

Number of required Emergency Preparedness Plans for the Water Security Agency's four major dams



Source: Water Security Agency 2013

In the event of an emergency, a quick and knowledgeable response to the situation can potentially save lives and reduce damages. This is a measure of the number of required emergency preparedness plans that are in place and are current for the Water Security Agency's four major dams.

Emergency preparedness plans for three of the Water Security Agency's four major dams were finalized during the year. Those for Rafferty and Alameda dams were distributed and reviewed with emergency responders.

Former Saskatchewan Watershed Authority's Plan - Reduce risk of flood damages in the province

Former Saskatchewan Watershed Authority's Key Actions & Results

Assist individuals and communities to protect property from flood damage through the 2012 Emergency Flood Damage Reduction Program (EFDRP).

- In the 2012 EFDRP, 267 individuals, municipalities and businesses applied for assistance and 116 clients received financial assistance under the program. In total, approximately $2.6M was cost shared for the construction of permanent structures or temporary measures.

Implement longer term flood mitigation measures at areas still at risk for flooding.

- Substantial progress was made on the longer term flood mitigation measures. The Roy Lake Watershed Association in the RM of Browning and the Opimihaw Creek Watershed Association in the Corman Park area were created to provide bodies to lead regional management approaches. Lang West water control project was completed.

Implement recommendations, as deemed appropriate, coming out of the "Review of Lake Diefenbaker Operations 2011-2012" report.

- The Water Security Agency has implemented or is in the process of implementing many of the report's recommendations. A review of the operation plan for Lake Diefenbaker was initiated during the year. Upgrades to the Moon Lake hydrometric station were completed in late 2011. Upgrades to the Garden River hydrometric station and the installation of a new station near the confluence of the North and South Saskatchewan rivers are scheduled in 2013. These hydrometric stations will enable better monitoring of river flows/levels and operation planning. A new computerized data management system was acquired and is being used to manage hydrometric information.

Provide real time hydrometric information for emergency preparedness, flood mitigation, and flood response.

- The Provincial Hydrometric Program was operated and data streams maintained. Additional data sources were streamed in near real time via the Water Security Agency's time series software Aquarius.

Continue to work to convert the emergency berms at Fishing Lake to long-term berms.

- Assessment of options and costs to effect the upgrading was undertaken. At year-end, a decision on option selection remained pending discussion with local government authorities.

Assess potential spring runoff and flood risk, forecast flood risk and notify potentially impacted communities of flood risk.

- General provincial spring runoff outlooks were provided in January and February, with a detailed forecast provided in March.

Provide emergency advice on flood protection measures.

- A team of hydrologists was made available for consultation on runoff outlooks and forecasted peak levels.

Review hydrology of the 2011 flood event for future flood protection planning.

- Updated the magnitude/frequency relationships for most of the Water Security Agency's gauged basins.

Investigate all drainage complaints and make recommendations or orders as appropriate.

- From the start of the year, there were 126 carryover requests for assistance to resolve drainage complaints and 154 new requests were received.
- Water Security Agency reassigned staff, developing a task force to deal with and complete a significant number of requests for assistance.
- Consultants were hired to deal with a number of these requests.
- In 2012-13, 75 per cent of the requests for assistance to resolve complaints and 65 per cent of the formal complaints were completed, despite the high number of new requests.

Ministry of Environment's Plan - Ministry service is client-focused.

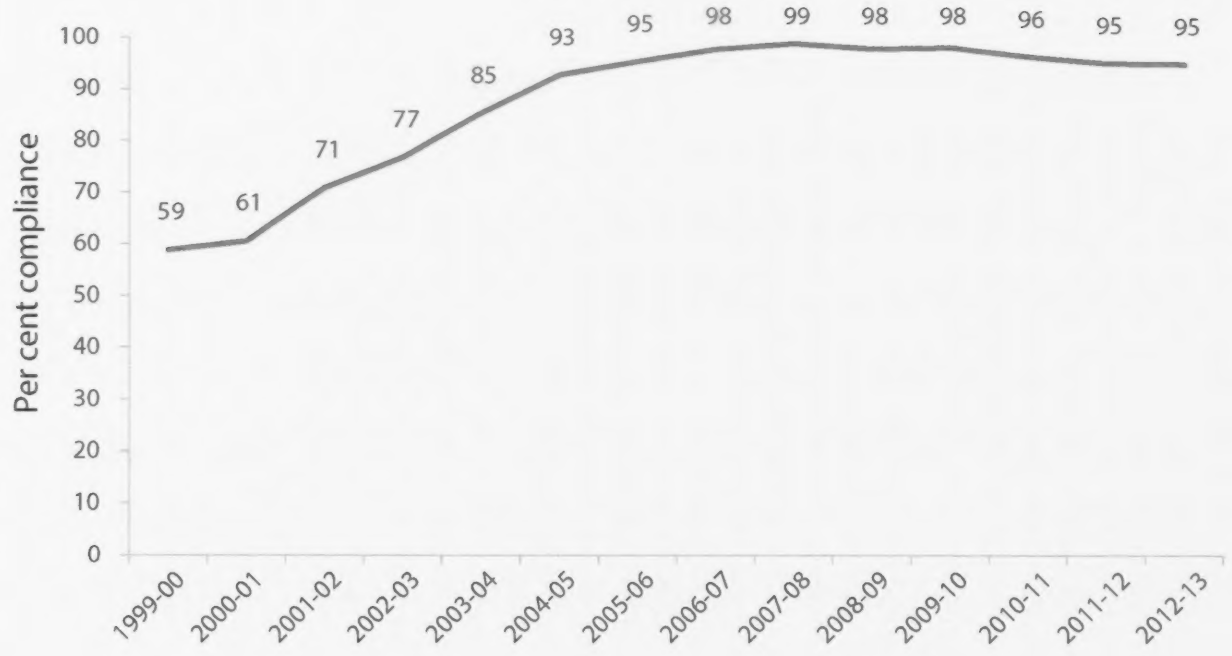
Ministry of Environment's Key Actions & Results

Ensure the provision of safe drinking water through inspections, monitoring and reporting.

- The Water Security Agency conducted 726 inspections at waterworks between April 1, 2012 and March 31, 2013 and continued to respond to upset reports and issued 367 Precautionary Drinking Water Advisories and five Emergency Boil Water Orders. The Water Security Agency's Drinking Water and Wastewater Management Division staff review drinking water monitoring results on an ongoing basis. The Water Security Agency continued to implement chemical health drinking water quality standards at regulated waterworks across the province. As of March 31, 2013, there were 70 communities that have yet to achieve the drinking water chemical health standards. Of these, six communities may or have sought hygienic status and three may achieve the standards through further optimization of their drinking water treatment system. Further information on water quality results can be found in the Annual Report on the State of Drinking Water Quality in Saskatchewan. Additional information on drinking water quality and wastewater management and compliance activities is available at SaskH2O.ca

Ministry of Environment's Performance Measure & Results

Drinking Water Quality Compliance Standards



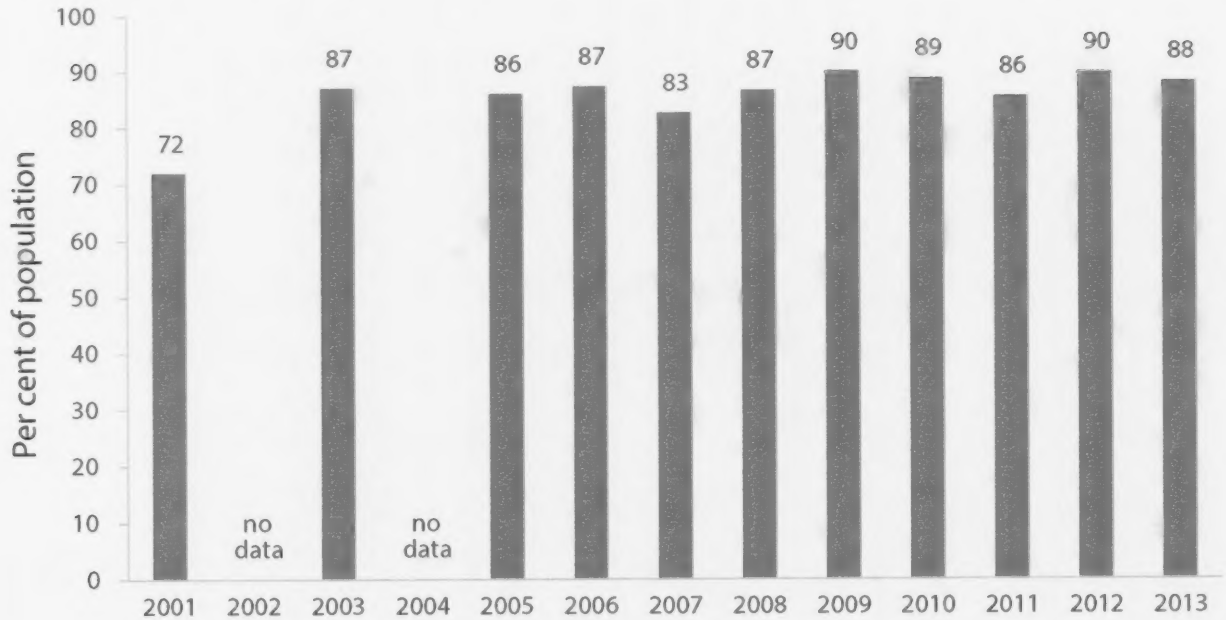
Source: Water Security Agency: SEEMS Database

The drinking water quality compliance indicator is an average of compliance with disinfection and bacteriological standards, both of which measure compliance with drinking water quality standards. This indicator looks at both the results of bacteriological water quality monitoring and the level of disinfectant present in drinking water and is a good predictor of the safety of drinking water. Compliance with drinking water quality standards for disinfection and bacteriological quality is important as microbial contamination in water supplies can quickly result in significant illness. Proper disinfection is an important way to ensure safe drinking water and prevent the outbreak of waterborne diseases. The indicator reports on the actions of the Water Security Agency in addressing risks to the health of people and the environment and key actions related to ensuring safe and sustainable drinking water. The accuracy of this indicator is fully dependent on accurate testing and reporting by regulated waterworks operators.

The drinking water quality compliance indicator has remained very good for the past few years and is relatively stable. The Water Security Agency will continue to reinforce the need to comply with disinfection requirements and proper reporting of disinfection values in 2013-14 and beyond to ensure increased awareness. Ongoing inspection and education awareness initiatives with waterworks owners and operators are planned to sustain good performance in achieving water that is safe from bacteriological threats and meets disinfection standards.

Ministry of Environment's Performance Measure & Results

Drinking Water Quality Satisfaction



Source: Ministry of Environment Polling Results

The Drinking Water Quality Satisfaction indicator is based on the results of annual polling of Saskatchewan residents on their level of confidence in the quality of their drinking water supply. The measure is the percentage of respondents who indicated that they are very or somewhat confident in the quality of their tap water. This indicator reflects upon the success of the Water Security Agency in advancing safe drinking water supplies across the province including the municipalities, pipelines and large commercial water systems.

The drinking water quality satisfaction indicator has remained above 80 per cent since 2003. The change from 2012 to 2013 may be related to significant water contamination incidents that occurred in early 2012 at Prince Albert and Weyburn.

Ongoing attention to actions such as consumer education efforts, waterworks inspections, media coverage of water contamination events affecting larger centers, implementation of water quality standards, water workshops and consumer notification will help to maintain a high level of public confidence in the safety of drinking water in the future.

Key risks to achieving this measure include: lack of public knowledge about the effectiveness of drinking water quality compliance requirements and efforts; major climatic events that impact base survey water quality and quantity (such as sustained droughts or major flooding); and upsets or significant problems at a waterworks for a major centre in or beyond the province that may influence the confidence of a significant portion of population in Saskatchewan. There is also some risk in how the survey is constructed (for instance, the order in which questions are asked and the possibility that other topics covered in the survey might influence the respondents' answers).

Government Goal: Responsive and Responsible Government

Former Saskatchewan Watershed Authority's Plan – Work cooperatively with provincial, national and international governments to ensure effective water management in Saskatchewan

Former Saskatchewan Watershed Authority's Key Actions & Results

Collaborate with the Council of the Federation (COF) partners on joint initiatives relating to water including celebration of Canada Water Week.

- Saskatchewan is represented on the COF Water Policy Directors' Group and leads both the Value of Water Project and the State of the Private Wells Project. Water Security Agency worked with the COF to select and announce, during Canada Water Week, the Lower Souris Watershed Committee as recipient of the 2013 Council of the Federation – Excellence in Water Stewardship Award.

Ensure all obligations under trans-boundary water sharing agreements, including the Prairie Provinces Water Board (PPWB), are met.

- In 2012-13, the Water Security Agency met all obligations under the trans-boundary water sharing agreements including the Master Agreement on Apportionment, the Mackenzie River Master Agreement, and the Canada-USA Agreement for Water Supply and Flood Control Agreement in the Souris River Basin.

Work with the PPWB Committee on Groundwater to develop a groundwater sharing agreement.

- The PPWB Committee on Groundwater did not advance the groundwater sharing agreement in 2012-13. It is set to resume the work in June 2013.

In compliance with the International Souris River Basin Agreement, continue monitoring water quality in Rafferty and Alameda reservoirs, the Souris River, and some of the principal tributaries upstream of the reservoirs.

- Water quality data were collected from Rafferty and Alameda reservoirs, the Souris River upstream of Rafferty Reservoir, and some principal tributaries upstream to monitor for long-term changes in water quality.

Continue to update surface water quality objectives at the 12 PPWB sites, located on the borders between Alberta, Saskatchewan, and Manitoba, with a priority on drafting nutrient objectives. Complete trend analysis reports. Review fish tissue data and monitoring program for PPWB sites.

- Work continued with the PPWB to undertake a comprehensive review of surface water quality objectives at 12 PPWB monitoring stations on the interprovincial borders. The comprehensive review considered established national and international objectives, site specific characteristics and various approaches to the setting of site-specific objectives. Revised water quality objectives, including objectives for nutrients, are expected to be established by the PPWB during 2013-14.
- Work completed with the PPWB to evaluate how Environment Canada's risk-analysis and site assessments of its national water quality monitoring network, including PPWB sites, will affect the PPWB's ability to meet requirements within the PPWB Master Agreement.
- Fish tissue data is not currently available for review.

Work with Natural Resources Canada on climate change adaptation and drought and excessive moisture planning.

- The Water Security Agency has secured $570,000 from Natural Resources Canada to deliver five projects on climate change adaptation.
- The Water Security Agency currently sits on the Plenary Group and several working groups of Natural Resources Canada's Adaptation Platform.

Support the Ministry of Agriculture's Drought and Excessive Moisture (DEM) initiatives through the DEM monitoring committee plan.

- The Water Security Agency sits on the Agriculture DEM Monitoring committee, which meets on a regular basis.
- A contract has been secured with a number of partners to deliver Community Collaborative Rain, Hail and Snow Network in Saskatchewan.

Represent the province on the Canadian Council of the Ministers of Environment Water Coordinating Committee.

- Work continued on development of groundwater monitoring guidance and determining the scope to address cumulative effects monitoring.

Represent the province on the Mackenzie River Basin Board and lead the Alberta-Saskatchewan bilateral water management agreement negotiation process for the province to fulfill the obligations of the Mackenzie River Basin Transboundary Waters Master Agreement.

- Negotiations with Alberta were initiated in 2012 and continued throughout the 2012-13 fiscal year. An agreement is forecast to be complete in 2014.

Continue to work cooperatively to administer the Manitoba-Saskatchewan Fishing Lake Channel Operating Agreement.

- Saskatchewan followed the Agreement in 2012-13 and did not operate the structure when flows were high in Manitoba.
- Later in the year, Fishing Lake dropped to its normal range, so the structure was not operated.

Continue to participate in federal/provincial cost sharing arrangements for the efficient delivery of the hydrometric program.

- The Water Security Agency continued to participate in national meetings, regional operational meetings and coordination with Environment Canada's Water Survey of Canada.

Review, with Environment Canada, the hydrometric network to ensure it meets stakeholder needs and accepted criteria.

- Precluded by planning and management of data needs and immediate operations needs for spring runoff.

Former Saskatchewan Watershed Authority's Plan - Work with communities to identify potential water threats and ensure protection of our water resources

Former Saskatchewan Watershed Authority's Key Actions & Results

Continue community-based source water protection planning, including completing the Lower Qu'Appelle River Watershed Plan, initiating planning within the Old Wives Lake Watershed and developing a plan renewal process for established plans.

- The Lower Qu'Appelle River Watershed Plan was complete March 31, 2013.
- The Old Wives Lake watershed planning process was launched in June 2012 and is forecast to be complete in June 2014.
- A draft plan renewal process has been developed and piloted. Formal adoption of a renewal process for Source Water Protection Plans is expected in 2013.

Coordinate the implementation of Source Water Protection Plans and Agri-Environmental Group Plans in partnership with watershed groups, First Nations, landowners, and the Ministry of Agriculture.

- The Water Security Agency provided $92,500 to each of the nine watershed groups to coordinate the implementation of their source water protection plans.
- The Water Security Agency also provided technical support and capacity building support to the watershed groups.
- Ministry of Agriculture has agreed to deliver the Agri-Environmental Group Plans through the watershed groups.
- The Water Security Agency provided $35,000 to seven watershed groups to implement Agri-Environmental Group Plans.

Provide technical support to the Ministry of Agriculture's Farm and Ranch Water Infrastructure Program.

- The Water Security Agency's staff and Source Water Protection Plan/Agri-Environmental Group Plan technicians have been providing technical support to producers who are making application to the Farm and Ranch Water Infrastructure Program.

Support watershed groups in participating in the Land and Infrastructure Resiliency Assessment.

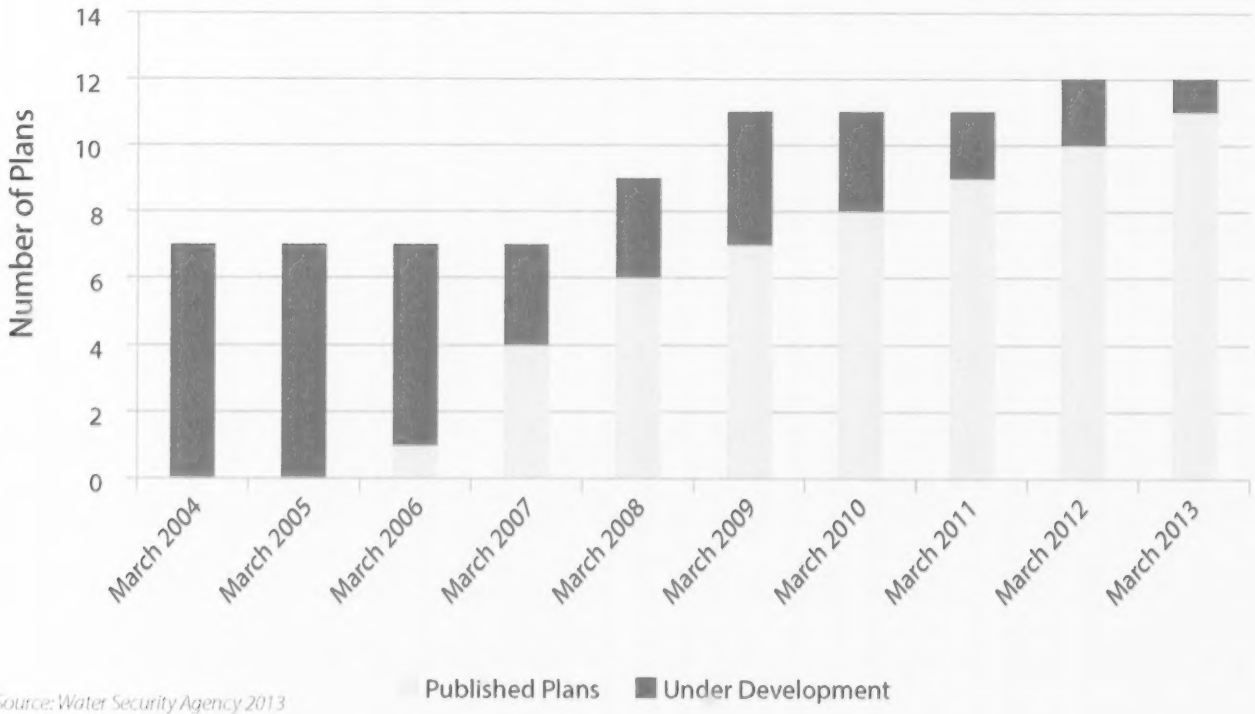
- Secured funding from Natural Resources Canada to deliver a Land and Infrastructure Resiliency Assessment pilot project in partnership with Agriculture and Agri-Food Canada and Assiniboine Watershed Stewardship Association.

Implement tangible projects with communities, First Nations, and individuals to protect water resources.

- Tangible projects were implemented with 27 individuals to protect water resources. The projects involved converting 5,528 acres of cropland to perennial cover, and the individuals have agreed to maintain the perennial cover for a minimum of 12 years. Converting cropland to perennial cover protects water resources by reducing wind and water erosion that can deposit sediment into water resources, absorbing agricultural chemicals, and improving water infiltration that can recharge water resources.

Former Saskatchewan Watershed Authority's Performance Measure & Results

Number of source water protection plans under development and published



Source: Water Security Agency 2013

This measure is of interest to government as it provides an indicator of progress towards the protection of source water, thereby maintaining sustainable water supplies available to support our growth, a healthy environment and our quality of life. Source water protection plans are developed at a watershed or aquifer level by local advisory committee representatives, with watershed plans directed at protection of surface water and aquifer plans directed at groundwater. Completed plans set water management priorities and identify emerging water issues.

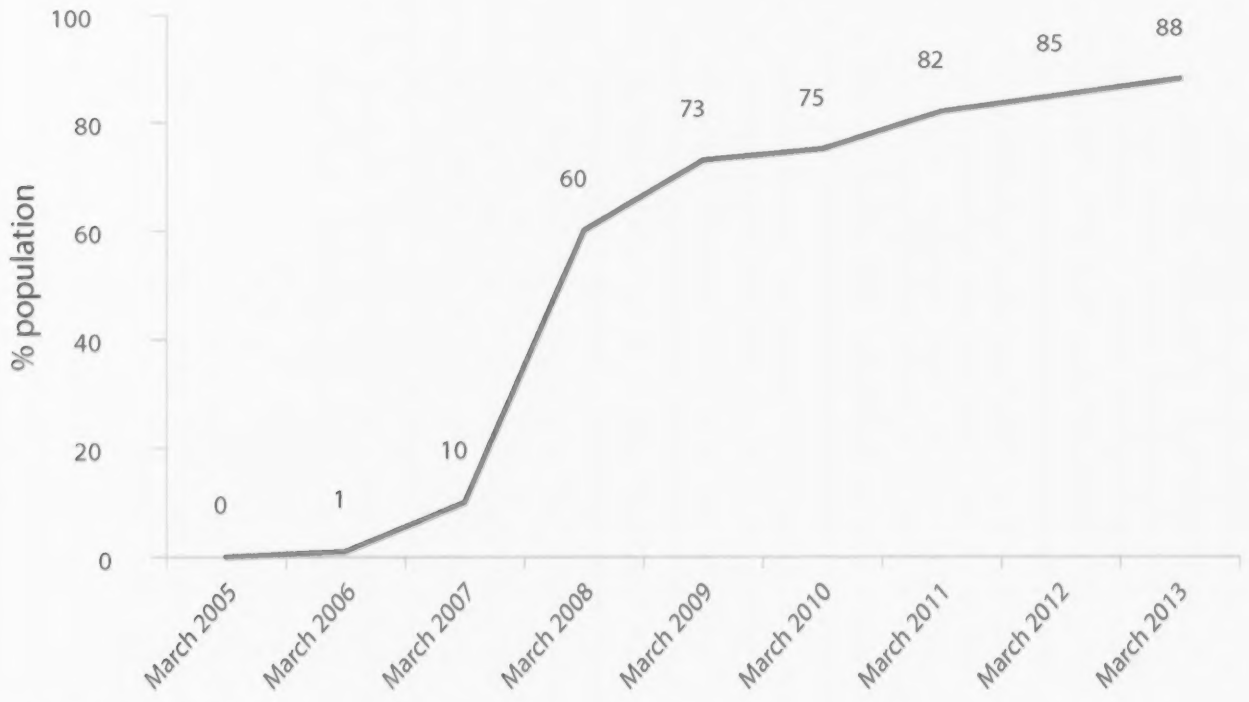
The Water Security Agency leads the planning process, directly influencing this measure.

Successful completion of source water protection plans is dependent on the commitment and ability of the local committee members to achieve a consensus on recommendations.

Originally, the Water Security Agency initiated seven plans and, as plans were completed and staff became available, additional planning processes were initiated. The measure illustrates that the first plan was completed in year three, and the numbers reflect that planning processes are consistently coming to completion. Information used in this performance measure is derived from Water Security Agency program files.

Former Saskatchewan Watershed Authority's Performance Measure & Results

Proportion of provincial population covered by a completed source water protection plan

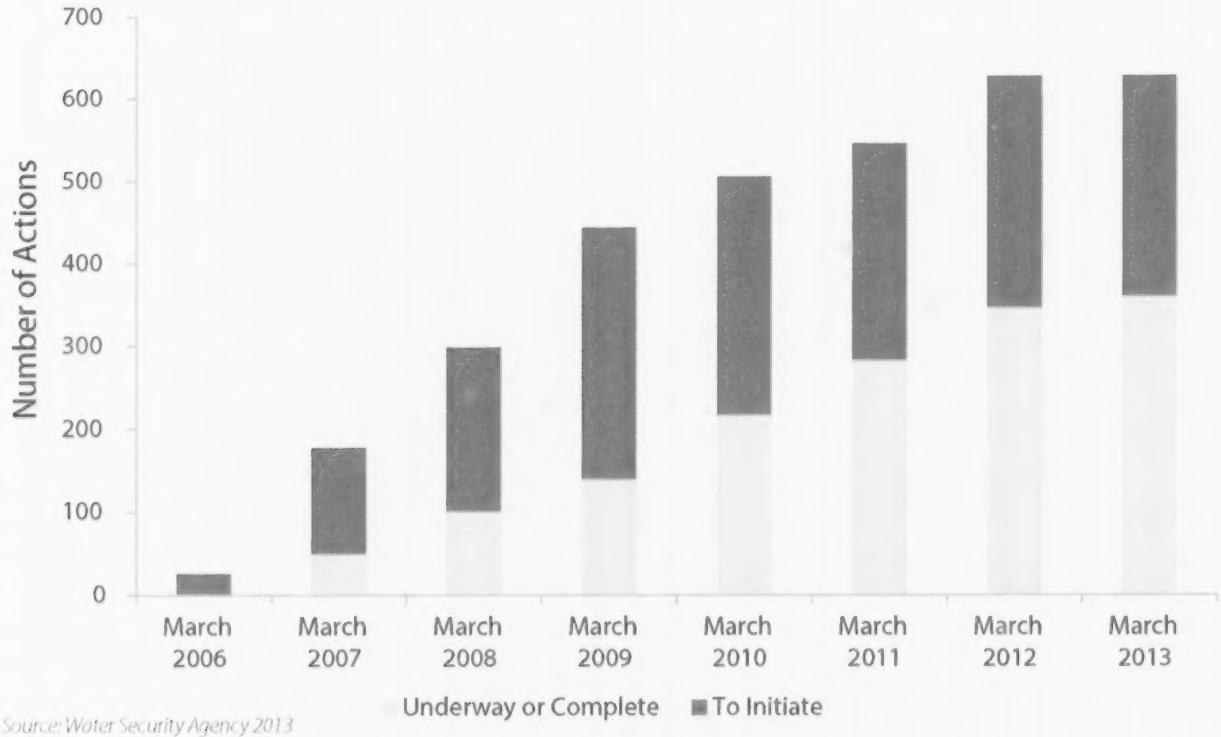


Source: Water Security Agency 2013

This measure provides meaningful context to the number of plans by adding the percentage of the population covered. The measure indicates that the Water Security Agency targeted early planning efforts at areas of highest population, and that the majority of the province's population (88 per cent) lives in an area where a planning process has been completed. Population data is derived from 2011 census of Canada data.

Former Saskatchewan Watershed Authority's Performance Measure & Results

Total number of source water protection plan key actions underway or complete in the province



Source: Water Security Agency 2013

Source water protection plans identify key actions needed to protect source water. As actions are undertaken, the degree of protection of source waters within the watersheds and aquifers is expected to increase, and water threats to be minimized.

Each key action specifies the organization(s) responsible for implementation. Local implementation groups lead or influence others to implement actions and submit reports on progress to the Water Security Agency, which are used to develop this measure.

This measure illustrates the number of key actions underway or complete. Since the first plan was completed in 2006, 360 watershed protection actions have been undertaken within the planning areas. As new plans are completed, additional actions are identified, thus the total number of actions has been increasing over time.

While the Water Security Agency provides funding and technical advice to the local implementation groups, it does not have direct control over completion of the majority of the identified actions and thus has limited influence over the measure.

Former Saskatchewan Watershed Authority's Plan - Manage water to meet responsibilities for aquatic ecosystem and fish habitat needs

Former Saskatchewan Watershed Authority's Key Actions & Results

Determine in-stream flow requirements for high priority systems and incorporate information into the Water Security Agency's allocation process.

- Assessments of Lake Sturgeon populations and habitat in the South and North Saskatchewan rivers were completed 2012. Flow scenarios using habitat models for the North and Saskatchewan rivers indicate the current water management regime provides optimal spawning and fry habitat in one of every two years. This finding, together with evidence of a healthy population at The Forks, suggests the current water management regime meets reasonable in-stream flow requirements for sturgeon and likely other fish species. This information and scenario-modeling is available to inform future allocations.

Determine and mitigate impacts of the Water Security Agency's operations on fisheries and aquatic ecosystems in collaboration with Fisheries and Oceans Canada and the Saskatchewan Ministry of Environment.

- Fisheries and aquatic ecosystems are considered during the water management structure operational decision-making process. Operational plans for Water Security Agency's fishways are under development.

Evaluate the impacts of agricultural practices on water quality through the Watershed Evaluation of Beneficial Management Practices (WEBs) study led by Agriculture and Agri-Food Canada.

- The fourth year of the WEBs project in the Pipestone Creek basin has been completed. The 2010-2012 hydrology report has been completed. The 2010 report demonstrated significant differences in snow water equivalent among sites, and a significant difference in surface runoff volume in response to rain fall events between land cover types.

Continue to work with SaskPower, Fisheries and Oceans Canada, and the Saskatchewan Ministry of Environment on the Fisheries Management Committee to determine and mitigate impacts of SaskPower operations on aquatic ecosystems.

- The Water Security Agency continues to work with SaskPower, Fisheries and Oceans Canada, and Ministry of Environment on the SaskPower Fisheries Issues Steering Committee. Recent changes to the structure and focus of Fisheries and Oceans Canada may require revision of the Committee.

Assess impacts of water management on two species-at-risk, Lake Sturgeon and Piping Plover, and develop and implement conservation plans.

- Piping Plover risk reduction activities undertaken at Lake Diefenbaker, and delayed water level rise, contributed to relatively high plover fledging rates in 2012. The Saskatchewan River Piping Plover Conservation Plan was reviewed by Environment Canada, which provided recommendations for how the Plan may receive official recognition as Species at Risk Act compliant.
- Assessments of Lake Sturgeon populations and habitat in the South and North Saskatchewan rivers were completed in 2012. Flow scenarios using habitat models for the North and Saskatchewan rivers indicate that the current water management regimes provide optimal spawning and fry habitat in one out of every two years. Radio telemetry indicates The Forks provides important overwinter habitat. Some evidence suggests the possibility of a separate overwintering subpopulation on the North Saskatchewan River. If sturgeon are listed as endangered, a conservation plan will be produced.

Former Saskatchewan Watershed Authority's Plan - Manage the Water Security Agency's lands to meet responsibilities for ecosystem health, source water protection and infrastructure management

Former Saskatchewan Watershed Authority's Key Actions & Results

Review all lands currently held by the Water Security Agency for appropriate application of policy with the objectives of risk management.

- The Lands Management Policy Project is currently under review by executive.

Continue to evaluate and, if possible, initiate options for alternative disposition of lands not essential to the Water Security Agency's mandate.

- One land disposition file with SaskPower (transfer of a water works at Rafferty Dam) is presently being worked on and is forecast to be complete in 2013.

Continue to manage the Water Security Agency's lands to meet reservoir development, flood mitigation and waterfowl and species-at-risk management obligations.

- This is an ongoing activity that is being managed appropriately.

Former Saskatchewan Watershed Authority's Plan - Improve the effectiveness and efficiency of the Water Security Agency's programs and services so as to ensure the best use of public funds

Former Saskatchewan Watershed Authority's Key Actions & Results

Establish criteria to develop and implement new water legislation.

- A Term of Reference has been developed to allow development and submission of a new Act for next year.

Continue to conduct LEAN reviews of programs and services to identify and implement gains in efficiency.

- Drainage complaint review process has been completed with implementation of several recommendations.

Continue development of new water allocation and compliance policies.

- Work on a compliance policy has been delayed to account for the development of new water legislation.
- Work continued in development of a new water allocation policy.

Undertake strategic risk assessment as part of the annual planning cycle.

- A risk assessment was undertaken on the 25 Year Water Security Plan in 2012.

Review the purpose, design and operation of the provincial groundwater monitoring network (observation well network).

- The review is complete and a report has been prepared.

Complete review of the watershed planning process and make recommendations for revision of the model.

- Efficiencies to the planning process and timelines and an enhanced decision-making approach have been developed and piloted with the Lower Qu'Appelle River and Old Wives Lake watersheds. Formal adoption of a revised watershed planning model is forecast for completion in 2014.

Assess requirements for the development and implementation of effective long-term flood protection programming.

- Information on long-term flood protection needs for Saskatchewan communities was gathered.

Renew the Water Security Agency's website to more effectively provide information regarding the Water Security Agency's programs and services.

- The website was totally redeveloped as part of the change to the Water Security Agency. This included incorporating the visual identity of the Water Security Agency, new content management software, which greatly facilitates updates to the information, redesign of pages and review of all content.

Former Saskatchewan Watershed Authority's Plan - Work toward reconciliation in water management while meeting legal responsibilities for consultation and accommodation regarding First Nations and Métis communities

Former Saskatchewan Watershed Authority's Key Actions & Results

Finalize agreements necessary to assist the Government of Canada to achieve a long-term settlement of the First Nations' flood claims in the Qu'Appelle Valley.

- Drafting of legal agreements to achieve a long-term settlement of Muscowpetung, Pasqua, Sakimay and Cowessess First Nations' flood claims against Canada was completed and sent for consideration by the principals.
- The Water Security Agency provided final approval of agreements previously ratified by Sakimay and Cowessess First Nations. Settlement Agreements for Sakimay and Cowessess were executed by the First Nations and Saskatchewan and are now being considered for final approval by Canada.
- The Water Security Agency assisted with the provincial approval of the legal survey plans for Pasqua and Muscowpetung First Nations.
- Muscowpetung First Nation successfully ratified the agreements.
- Pasqua First Nation has not yet set a date for ratification of the agreements.

Finalize and implement Water Management Agreements with Qu'Appelle Valley First Nations to advance reconciliation with the First Nations and address the regulatory gap on reserve.

- The Crooked Lake Water Management Agreement was previously ratified by Sakimay and Cowessess First Nations.

- The Pasqua Lake Water Management Agreement has been ratified by Muscowpetung First Nation and is waiting consideration by Pasqua First Nation.

Initiate work under Qu'Appelle Water Management Agreements to establish water quality objectives.

- Work on establishing water quality objectives has been delayed until the agreements are approved by all parties.

Continue consultations with Fishing Lake First Nation on the Fishing Lake Emergency Channel Project.

- This action is in the middle of a five-year monitoring program. The Water Security Agency will continue to monitor the impacts of the channel project and will consult with Fishing Lake First Nation as the impacts become known.

Engage communities in the Mackenzie Basin in discussions on development of the Mackenzie Basin Bilateral Agreement with Alberta.

- An engagement strategy and a legal duty to consult plan were developed. Phase one of the strategy was completed by March 31, 2013. This included community meetings and government and non-government stakeholder and First Nations and Métis contacts. Phase two of the strategy will be complete in 2013-14.

Consult with First Nations and Métis communities where the Water Security Agency is planning work that may impact Aboriginal or Treaty Rights.

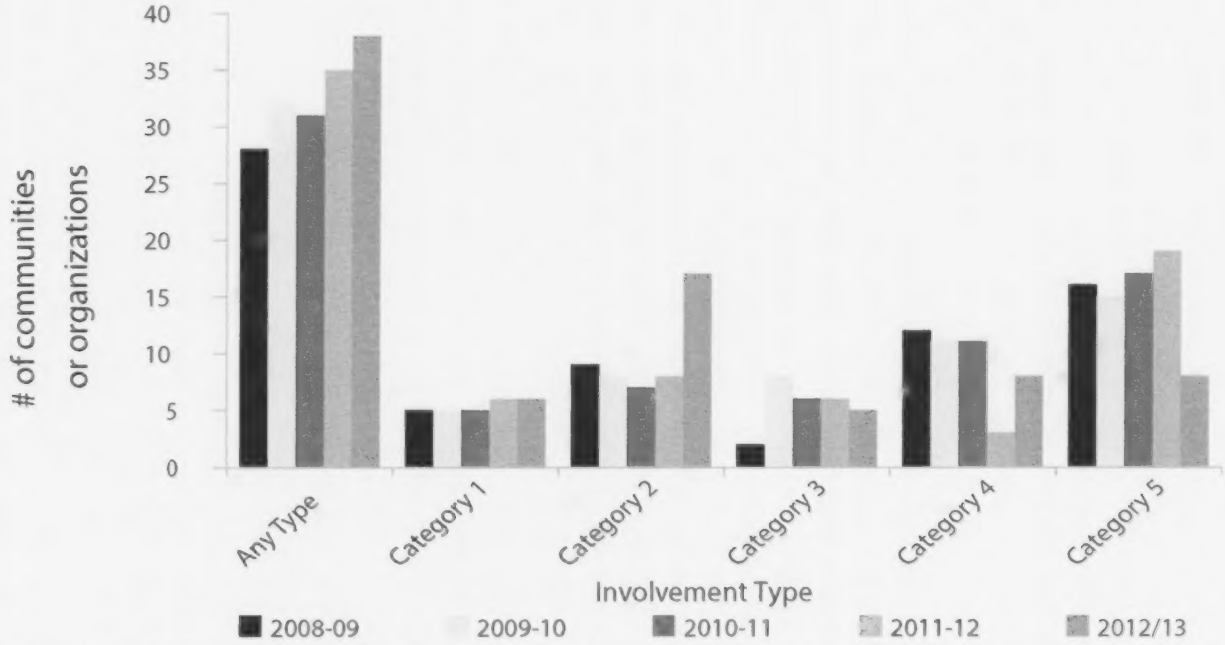
- The Water Security Agency undertook pre-consultation and consultation processes with a number of First Nation and Métis government agencies regarding regulatory approvals or planning initiatives (e.g. water allocation, Lake Diefenbaker Reservoir Operating Plan development, Mackenzie River Basin Bi-lateral Agreement) in an attempt to identify potential impacts to Treaty or Aboriginal rights and to seek options for avoiding or mitigating such impacts.

Develop operational policies to guide Duty to Consult activities.

- The Water Security Agency has developed draft operational policies to guide duty to consult activities and is now working to integrate and align these guidelines with those of other government ministries.

Former Saskatchewan Watershed Authority's Performance Measure & Results

Number of First Nations and Métis governments or organizations with whom the Water Security Agency is involved*



*Note: This measure has been changed to refer to governments rather than to communities to accurately reflect the data that has been collected to date and that which is intended to be collected in the future.
Source: Water Security Agency 2013

First Nation and Métis interest in water availability and quality is continuing to grow and may result in conflicts over use, especially in areas with water shortages. Proactive relationship building will help reduce future conflicts and contribute toward positive water management alliances. The number of organizations and / or government bodies with whom the Water Security Agency, at a minimum, has a two-way dialogue, is a simple measure of the Water Security Agency efforts to build relationships. Water Security Agency staff report this information on an annual basis, and the comprehensive results are summarized here.

For this measure, the total number of communities the Water Security Agency is directly involved with is presented, along with a breakdown according to categories of involvement, as follows:

Any type: This is the total number of First Nations and Métis governments or organizations the Water Security Agency is involved with in any of the categories. The Water Security Agency may have more than one category of involvement with any given government or organization; therefore, this does not represent a sum of the five broken-out categories.

Category 1: Formal Province – First Nations / Métis agreements or negotiations: discussions underway or agreement in place

Category 2: Formal consultations** (activities specific to legal duty to consult requirements and including pre-consultation activities which may or may not result in formal consultations)

Category 3: Advisory board or committee participation (watershed / aquifer planning or infrastructure operation): representation on Water Security Agency -led planning or advisory committees

Category 4: Community-based projects / initiatives: preliminary discussions, under development or already in place; Water Security Agency – First Nations / Métis projects

Category 5: Dialogue / information exchange / relationship-building: informal discussions with government / organization representatives, including feedback received about Water Security Agency initiatives

****Note**: Category 2 has been clarified to include involvement that is not yet consultation and which may or may not lead to consultation depending on potential impacts identified via pre-consultation discussions and on the willingness to consult.

The 2012-13 measurement results indicate the Water Security Agency is directly involved with 38 First Nations

and Métis governments or organizations, with a marked and positive increase in formal consultations (Category 2). While the description of Category 2 has been clarified to include pre-consultation activities, this type of involvement was also included in previous years. As such, this year's increase in consultation activities reflects Water Security Agency activities with a potential to negatively impact treaty or aboriginal rights and which provide an obligation and an opportunity for government to work with First Nation and Métis governments in seeking ways to avoid or to mitigate potential impacts to treaty and aboriginal rights. Consultation initiatives by the Water Security Agency where the First Nation or Métis governments choose not to take part are not included as they do not fit the criteria for this measure but more importantly are not a strong indicator of meaningful consultations.

Former Saskatchewan Watershed Authority's Plan - Attract, retain and build professional staff by supporting employee development, stimulating and directing employee engagement and enabling employees to succeed

Former Saskatchewan Watershed Authority's Key Actions & Results

Continue implementation of the five-year Human Resources Management Strategy to ensure consistency with the strategic direction for the public service provided by Executive Government and to ensure strategies for the delivery of key human resource functions consider best practices, good service priority and knowledge management principles.

- The creation of the new Water Security Agency and the transfer of approximately 40 new employees, and/or positions from three ministries into the Water Security Agency consumed a significant amount of the Human Resources time and effort during the second half of fiscal year 2012-13. There were successful negotiations among SGEU, CEP and the Water Security Agency to transfer the employees into the new organization.

Implement a Performance Management Framework to recognize and manage performance.

- A multi-year project plan to implement a formal work planning and performance review system was approved by the Executive Team. The formal performance management system, work planning form, process and training were developed and reviewed by the Executive Team. In addition, the Executive Team endorsed six core competencies for the Water Security Agency, which closely align with the Government of Saskatchewan's corporate core values.

Investigate, recommend and implement a Recruitment Framework, including developing an employee on-boarding program, to ensure the Water Security Agency's recruitment activities are successful and consider best practices.

- The Recruitment framework is in place and is reviewed and updated on an annual basis.
- Best practice research was completed for new employee on-boarding.
- Significant effort was put into transitioning the new Ministry of Environment and Ministry of Agriculture employees who transferred into the Water Security Agency, with the creation of the new agency in October 2012. The new employees received a group orientation session, which transferred the employees in the Water Security Agency payroll and benefits programs, and provided relevant information about the new organization.

Continue support of staff training, skills enhancement, and career development programs as a priority and use employee training and development to support the Corporate Succession Strategy initiatives.

- The Water Security Agency continued to support technical, interpersonal, supervisory, management and leadership development, through numerous conferences, courses and seminars.

Continue implementation of the Occupational Health and Safety (OH&S) Framework which includes developing an OH&S corporate-wide training program and employee orientation process.

- The development of corporate OH&S procedures continued in the following areas:
  - working alone;
  - confined space entry; and
  - fall protection.
- Safety training was conducted for new hires, and for existing staff to maintain their safety certifications.
- The summer student orientation and safety training week was coordinated and successfully delivered.
- Research was completed into the development of a unified OH&S training program delivered via SIAST.

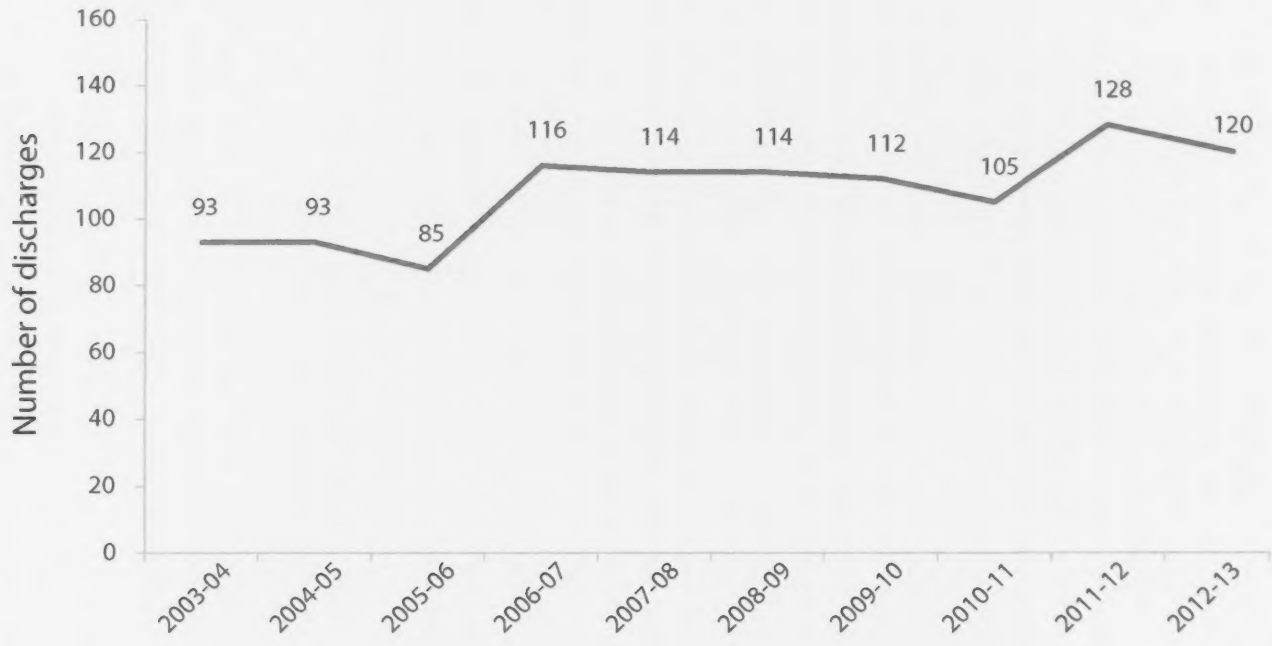
Ministry of Environment's Plan - A healthy and productive environment

Ministry of Environment's Key Actions & Results

Protect source water through treatment and management of wastewater, monitoring of industrial facilities and compliance programs.

- The Water Security Agency and Ministry of Environment conducted 468 inspections at sewage works between April 1, 2012 and March 31, 2013 and continued to respond to sewage works upset reports. Water Security Agency staff review the wastewater monitoring results on an ongoing basis. Effluent toxicity testing was conducted for 23 medium and small communities in the province in 2012-13 to aid in understanding the compliance with the Canada-Wide Strategy for Municipal Waste Water Effluents and the federal Wastewater System Effluent Regulations proclaimed in July 2012.

Sewage Effluent Discharges that Represent a Risk to Source Waters



Source: Water Security Agency 2013

The number of sewage effluent discharges that represent a risk to source waters is a direct indication of the potential for source water contamination due to poor wastewater treatment. This measure now incorporates the need for future compliance with the Canada-Wide Strategy for Municipal Waste Water Effluents (MWWE) standards. This measure is selected since it is the most direct measure of the number of potential significant contamination point sources affecting a range of water uses.

As of March 31, 2012, approximately 128 wastewater systems have been identified as having a discharge that may reach a surface water body and represent a risk to source waters under certain conditions. Of these 128 systems, up to 93 may require compliance with pending Canada-wide Standards for Municipal Waste Water Effluent (MWWE) or the Wastewater System Effluent Regulations (WSER) developed pursuant to the federal *Fisheries Act*. The final number of wastewater systems, which must be managed to the MWWE and WSER standard, will be finalized once an administrative agreement is developed between the Water Security Agency and Environment Canada.

Growth in Saskatchewan communities is also placing additional pressure on sewage infrastructure as some communities were at treatment and/or storage capacity. On an annual basis, Water Security Agency staff review the quality of effluent from each regulated sewage works. Reduction of ammonia and chlorine residual emissions within treated wastewater effluent, sewage works capacity or other treatment capability issues typically involve significant planning, investment and construction. Therefore, it can be expected that reductions in the number of works, which represent a risk to source waters, will be a time consuming process. Work to resolve problematic wastewater systems will continue for the foreseeable future.

Ministry of Environment's Plan - Information about the environment is timely, accurate and readily available

Ministry of Environment's Key Actions & Results

Credible measurement, reporting and verification data are available on the Ministry website.

- Information on drinking water and wastewater is available via the SaskH2O.ca website. During 2012-13, the SaskH20.ca website was visited on 217,204 occasions with an average visit duration of 9 min:40 seconds.

Ministry of Environment's Strategy: People, businesses and communities understand, support and comply with environmental regulations

Ministry of Environment's Key Actions & Results

Finalize the development and implementation of the Ministry's Compliance and Enforcement Plan in a manner that supports the results-based regulatory framework.

- The Water Security Agency participated in the Ministry of Environment's compliance and enforcement planning process and produced its compliance service delivery plan for 2013-14 as part of a potential shared services agreement for delivery compliance and enforcement services for the Water Security Agency.

Develop and deliver educational materials and workshops on the new environmental regulatory framework.

- The Water Security Agency also provided presentations on water main, sewer main and liquid domestic waste disposal code chapters during the 2012-13 fiscal year.
- The Water Security Agency has revised fact sheets and relevant information applicable to Drinking Water and Wastewater Management code chapters in preparation for code implementation.

Ministry of Environment's Plan - The Ministry uses information and knowledge effectively

Ministry of Environment's Key Actions & Results

Participate in inter-provincial forums at the technical and policy development level to help ensure that environmental protection and resource management programming and requirements are current, consistent and defendable.

- The Water Security Agency's Drinking Water and Wastewater Management Division (formerly Municipal Branch, Ministry of Environment) participated in the Federal-Provincial-Territorial Committee on Drinking Water, the Canadian Environmental Protection Act – National Advisory Committee, as well as CCME's Water Quality Task Group, Biosolids Working Group, Municipal Waste Effluent Strategy Coordinating Committee, and Extended Producer Responsibility Task Group.

Ministry of Environment's Plan - Impacts on the environment are minimized.

Ministry of Environment's Key Actions & Results

Ensure that development and industrial activity proceed in a manner that protects the environment and human health and safety through environmental assessment and compliance activities.

- The Water Security Agency protects aquatic habitat through assumption of responsibility for the issuance of Aquatic Habitat Protection Permits previously held by the Ministry of Environment's Fish and Wildlife Branch.

2012 - 13 Financial Overview

The Water Security Agency ended the year with a $4,932,000 surplus on regular operations and a deficit of $2,031,000 related to flood relief projects, producing a total surplus for 2012-13 of $2,901,000. This compared to a budgeted deficit of $6,100,000. The budget was significantly impacted by creation of the Water Security Agency, with both revenues and expenses increased compared to the budget of the former Saskatchewan Watershed Authority due to increase in staff and programs.

Expenses for regular operations, at $32,480,000, were $941,000 below budget. This under expenditure was due to a number of factors including lower than budgeted demand in the Provincial Toilet Replacement Rebate Program and a challenge in filling vacancies resulting in initiatives not advancing as quickly as planned.

Regular revenues for the year were $37,412,000 compared to the original budget of $27,321,000. Water revenue of $21,798,000 was $3,809,000 above budget, primarily due to larger volumes of water available for hydropower. The grants from the General Revenue Fund was also up due to an increased grant to cover costs of programs transferred from Ministry of Environment and transfer of the M1 Canal and East side pumping station from Ministry of Agriculture.

Compared to 2011-12 revenue was up $7,110,000 due to a budgeted increase in the operating grant of $1,400,000 for dam safety and $920,000 in capital grant funding, plus increases in the grant from the General Revenue Fund of $5,399,000 related to creation of the Water Security Agency. Water revenues were down by $344,000 compared to 2011-12, though still above budget. Regular expenses increased by $2,134,000 compared to the prior year with the greatest part of this increase ($1,116,000) being due to creation of the Water Security Agency.

Creation of the Water Security Agency had 2 principle impacts compared to the budget for the year. Expenses included costs related to the drinking water, wastewater and aquatic habitat programs transferred from Ministry of Environment, increasing operating expenses by $1,116,000. In addition a prior period service cost of $200,700 was incurred for transferred employees. These expenses were offset by an increase in the grant from the General Revenue Fund of $1,221,902. Transfer of the M1 Canal and East Side Pumping Station from Ministry of Agriculture added $7,542,070 to Water Security Agency's capital assets and added an account payable of $3,364,058. Transfer of programs from Ministry of Health did not have a significant effect on 2012-13 expenses, but a position did transfer to the Water Security Agency effective April 1, 2013.

Creation of the Water Security Agency resulted in the total grant from the General Revenue Fund of $17,633,000, including $5,500,000 for flood relief and $12,134,000 for regular operations, being $5,399,000 above the budget of $12,234,000.

WATER SECURITY AGENCY

FINANCIAL STATEMENTS

March 31, 2013

Deloitte LLP
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Regina, SK S4P 3Z8
Canada

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Water Security Agency, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Water Security Agency as at March 31, 2013, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Accountants

June 5, 2013
Regina, Saskatchewan

Member of Deloitte Touche Tohmatsu Limited

WATER SECURITY AGENCY

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	2013	2012
	(Thousands of Dollars)	
FINANCIAL ASSETS		
Cash	$ 47,182	$ 48,342
Accounts receivable	7,543	7,411
	54,725	55,753
LIABILITIES		
Accounts payable and accrued liabilities	9,193	10,729
Deferred revenue (note 5)	79	74
Employee future benefits (note 6)	1,149	880
Current portion of long-term debt (note 7)	1,204	585
Long-term debt (note 7)	11,299	6,006
	22,924	18,274
NET FINANCIAL ASSETS	31,801	37,479
NON FINANCIAL ASSETS		
Tangible capital assets (note 8)	305,601	297,075
Prepaid expenses and supplies	417	364
	306,018	297,439
ACCUMULATED SURPLUS	$ 337,819	$ 334,918

Commitments and contingencies (note 10)

See accompanying notes

On behalf of the Board:

Director

WATER SECURITY AGENCY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31

	Budget (unaudited) (note 13)	2013	2012
	(Thousands of Dollars)		
REVENUE			
Government of Saskatchewan			
- General Revenue Fund (note 14)	$ 6,734	$ 12,134	$ 4,414
- Fish and Wildlife Development Fund	828	828	828
Water revenue	17,989	21,798	22,142
Contract revenue (Schedule 1)	690	863	1,112
Other	1,080	1,789	1,806
	27,321	37,412	30,302
EXPENSES (Schedule 2)			
Corporate services	4,544	4,478	3,381
Regional services	8,470	8,667	7,700
Infrastructure management	5,277	3,877	4,026
Stewardship projects and administration	2,337	2,487	2,636
Watershed monitoring and assessment	1,965	1,939	2,114
Watershed planning	940	629	900
Hydrology services	2,213	2,651	2,604
Interjurisdictional water management and administration	1,837	845	756
Groundwater management	858	654	874
Drinking and wastewater management (note 14)	-	1,116	-
Interest	630	306	116
Amortization of tangible capital assets	4,350	4,831	5,239
	33,421	32,480	30,346
Surplus (deficit) for the year before the following	(6,100)	4,932	(44)
Revenue related to flood relief projects (note 4)	5,500	5,767	35,785
Expenses related to flood relief projects (note 4)	5,500	7,798	46,011
Surplus (deficit) related to flood relief projects	-	(2,031)	(10,226)
Surplus (deficit) for the year	(6,100)	2,901	(10,270)
Accumulated surplus – beginning of year	334,918	334,918	345,188
Accumulated surplus – end of year	$328,818	$337,819	$ 334,918

See accompanying notes

Statement 3

WATER SECURITY AGENCY

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31

	2013	2012
	(Thousands of Dollars)	
Surplus (deficit) for the year	$ 2,901	$ (10,270)
Acquisition of tangible capital assets	(13,376)	(1,871)
Amortization of tangible capital assets	4,831	5,239
Loss on sale of tangible capital assets	(6)	-
Proceeds on sale of tangible capital assets	25	-
	(5,625)	(6,902)
Purchase of prepaid expenses and supplies	(53)	(167)
Decrease in net financial assets	(5,678)	(7,069)
Net financial assets – beginning of year	37,479	44,548
Net financial assets – end of year	$ 31,801	$ 37,479

See accompanying notes

WATER SECURITY AGENCY

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2013	2012
	(Thousands of Dollars)	
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Surplus (deficit) for the year	$ 2,901	$ (10,270)
Items not affecting cash:		
Amortization of tangible capital assets	4,831	5,239
Transfer of capital asset from Ministry of Agriculture (note 14)	(4,178)	-
Loss on sale of tangible capital assets	(6)	-
Net change in non-cash balances relating to operations:		
Accounts receivable	(132)	(1,121)
Prepaid expenses and supplies	(53)	(167)
Accounts payable and accrued liabilities	(5,859)	(2,225)
Employee future benefits	269	117
Deferred revenue	5	(22)
	(2,222)	(8,449)
CAPITAL ACTIVITIES:		
Acquisition of tangible capital assets	(4,875)	(1,871)
Proceeds on sale of tangible capital assets	25	-
	(4,850)	(1,871)
FINANCING ACTIVITIES:		
Proceeds from loan payable	6,694	4,115
Principal portion of loan repaid in year	(782)	(224)
	5,912	3,891
Decrease in cash during the year	$ (1,160)	(6,429)
Cash – beginning of year	48,342	54,771
Cash – end of year	$ 47,182	$ 48,342

See accompanying notes

1. STATUS OF THE WATER SECURITY AGENCY

The Saskatchewan Watershed Authority (the Authority) was established on October 1, 2002, under the authority of **The Saskatchewan Watershed Authority Act**. The Authority is a Treasury Board Crown corporation within the meaning of **The Crown Corporations Act, 1993**.

Bill 47, The Saskatchewan Watershed Authority Amendment Act, 2012, continues the Saskatchewan Watershed Authority as the Water Security Agency (WSA) effective October 1, 2012. WSA is mandated to integrate all aspects of provincial water management to ensure water supplies support economic growth, quality of life and environmental well being. WSA supprts protection of drinking water, flood and drought response, and management of water supplies, water quality and aquatic habitat. WSA also owns and operates provincial dams and water supply channels.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards . The following accounting standards are considered to be significant:

Tangible Capital Assets
Tangible capital assets are recorded at cost. Internally provided engineering and technical services are capitalized at charge out rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by WSA employees on construction projects. As well,WSA capitalizes interest expense on debt relating to specific construction projects. Amortization of assets under development will commence once they are operational and available for use. Charges for amortization are calculated at the following annual rates:

Tangible Capital Assets	Method	Rate
Buildings and leaseholds	straight-line	4%
Maintenance equipment	diminishing balance or straight-line, as appropriate	15% to 30%
Office equipment	straight-line	10% to 50%
Water infrastructure	straight-line	1.67% to 5%

Government of Saskatchewan Grants
Under the authority of Section 27 of **The Saskatchewan Watershed Authority Act, 2005** WSA receives grants from the General Revenue Fund out of monies appropriated by the legislature or authorized by Order in Council. These grants are recorded as revenue when received or receivable and are used to fund grant programs, water management infrastructure rehabilitation and operations.

Revenue Recognition
Contractual revenue received by WSA for specific purposes is recognized as revenue in the year in which the related expenses are incurred. Water revenue is recognized as revenue in the year it is consumed. Other revenue includes: licences, fees, permits, interest income and a service contract with SaskWater. These revenues are recognized in the year they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES continued

Grants to Clients
Grants provided to clients for a variety of programs are recorded as an expense to WSA if the final approval for the grant payment was made during the year. Where WSA enters into contractual agreements for project construction under various assistance programs, expenses are accounted for on an accrual basis.

Employee Future Benefits
WSA administers a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. WSA has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefits is recorded when the related services of employees are performed. WSA's employees participate in the Capital Pension Plan which is a multi-employer plan. WSA's contibutions to the pension plan are expensed as incurred.

Measurement Uncertainty
The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of assets for amortization periods and employee benefits.

Financial Instruments
All financial instruments are initially recognized at fair value. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Financial assets and liabilities are subsequently measured at amortized cost.

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS

The following new standards and amendments to standards, effective for annual periods on or after April 1, 2012, have been analyzed in preparing these financial statements:

- PS 1201 – Financial Statement Presentation
- PS 2601 – Foreign Currency Translation
- PS 3041 – Portfolio Investments
- PS 3410 – Government Transfers
- PS 3450 – Financial Instruments

The prospective adoption of these standards had no material impact on the financial statements. The Statement of Re-measurement Gains and Losses has been omitted as there were no relevant transactions to report.

A number of new standards and amendments to standards which may impact WSA, are not yet effective for the year ended March 31, 2013 and have not been applied in preparing these consolidated financial statements. In particular, the following new or amended standards, which becomes effective for annual periods beginning on or after March 1, 2013 are:

- PS 3450 – Financial Instruments

4. FLOOD RELIEF PROJECTS

Flooding during 2011 was unprecedented in its magnitude, extent and duration across the agricultural zone of Saskatchewan. An "Emergency Flood Damage Reduction Program" (EFDRP) was implemented by the Province to provide, on a cost-shared basis, funding to assist individuals and communities with flood preparation. WSA was allocated the funds to lead this program on behalf of the Province. As well, WSA was allocated funds from Aboriginal Affairs and Northern Development Canada to assist First Nations to combat flood damage. WSA is also leading the work, on behalf of the Province, related to long-term solutions to flooding at Fishing and Waldsea Lakes. Flood issues were ongoing in 2012.

WSA recognized the following funding in 2012-13 for flood relief initiatives:

	(Thousands of Dollars)
General Revenue Fund - Emergency Flood Damage Reduction Program	$5,000
General Revenue Fund - Fishing Lake Maintenance of Berms	500
Aboriginal Affairs and Northern Development Canada	267
	$5,767

WSA recognized the following expenditures in 2012-13 for flood relief initiatives:

	(Thousands of Dollars)
Emergency Flood Damage Reduction Program	$ 4,228
Fishing and Waldsea Lakes	3,570
	$ 7,798

5. DEFERRED REVENUE

The balance that remains in deferred revenue at year-end relates to funding WSA has received for various projects that are not yet completed.

	2013	2012
		(Thousands of Dollars)
Balance, beginning of year	$ 74	$ 96
Contractual revenues received	79	-
Recognition of prior year deferred revenue	(74)	(22)
Balance, end of year	$ 79	$ 74

6. EMPLOYEE FUTURE BENEFITS

The amounts related to the defined benefit retiring allowance are as follows:

	2013	2012
		(Thousands of Dollars)
Accrued benefit liability	$ 1,149	$ 880
Benefits paid during the year	41	43
Net expense	310	160

Prior period service costs of $200,700 that were expensed and added to the liability in 2013, represent the past service liability for the additional employees transferred from Ministry of Environment and Agriculture with the creation of the Water Security Agency.

The significant actuarial assumptions adopted in measuring WSA's accrued benefit liability at March 31 are:

Discount rate	3.40%	3.70%
Inflation rate	2.50%	2.50%
Average remaining service life	10.4 years	10.5 years

7. LONG-TERM DEBT

	2013	2012
		(Thousands of Dollars)
Conexus Credit Union 2006 - ten year loan bearing interest @3.98% per annum, due March 2021.	$ 2,242	$ 2,476
Bank of Montreal - ten year loan bearing interest @3.40% per annum, due March 2022.	3,764	4,115
TD Commercial Banking - ten year loan bearing interest @2.65%, due November 1, 2022	6,497	-
Total Debt	12,503	6,591
Less: Current portion of long-term debt	1,204	585
	$ 11,299	$ 6,006

Long-term debt repayments in each of the next five years are as follows:

	(Thousands of Dollars)
2014	$ 1,204
2015	1,243
2016	1,282
2017	1,323
2018	1,366
Thereafter	6,085
	$ 12,503

8. TANGIBLE CAPITAL ASSETS

	2013			2012
				(Thousands of Dollars)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 5,155	$ -	$ 5,155	$ 5,155
Buildings and leasehold improvements	1,767	703	1,064	598
Maintenance equipment	3,214	2,384	830	720
Office equipment	2,642	1,911	731	841
Water infrastructure	401,070	103,249	297,821	289,761
	$ 413,848	$ 108,247	$ 305,601	$ 297,075

Included in the tangible capital assets are assets under construction worth $11,622,000 (2012 - $3,038,000). During the year, $4,323,000 (2012 -$nil) of acquisitions were included in accounts payable at year-end.

9. GRANTS TO CLIENTS

Included in expenses are grants or assistance provided to various persons and organizations to carry out a variety of programs administered by WSA. Particulars of these grants, by program, are as follows:

	2013	2012
		(Thousands of Dollars)
Flood Control and Drainage	$ 1,287	$ 1,241
Emergency Flood Damage Reduction Program	2,875	24,058
Toilet Replacement Rebate	920	748
Stewardship - Watershed Grants	1,000	1,040
Stewardship - Water Quality	176	283
	$ 6,258	$ 27,370

10. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

As of March 31, 2013, WSA has outstanding commitments of $5,235,358 (2012 - $2,247,513) for construction contracts, consulting agreements, and watershed funding agreements. Within various contractual agreements, WSA has committed to provide in-kind services. If contracts were terminated, WSA's only liability would be for actual costs incurred to date.

Leases

WSA has entered into various operating lease agreements with the following minimum lease payments:

	(Thousands of Dollars)
2014	$ 1,253
2015	908
2016	674
2017	665
2018	734
2019 and thereafter	2,815
	$ 7,049

Litigation

Water Security Agency is party to 6 lawsuits related to various water management issues of which the outcome cannot be determined, therefore, no amounts have been allowed for settlement in these statements.

11. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Authority by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

	2013	2012
		(Thousands of Dollars)
Water, contract and other revenue	$ 20,375	$ 21,876
Expenses	3,917	3,846
Accounts receivable	4,742	4,564
Accounts payable	147	190

In addition, the 2013 yearend accounts payable includes a non-routine transaction with a related party in the amount of $3,001,933, relating to the transfer of capital assets.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

12. PENSION PLAN

WSA's employees participate in the Capital Pension Plan (the Plan), which is a defined contribution pension plan. WSA's contributions to the Plan include making regular payments into the Plan. The total amount paid into the Plan for 2013 was $948,734 (2012 - $845,090).

13. BUDGET FIGURES

The budget figures are presented for comparison purposes. WSA's Board of Directors approved the 2013 budget on March 13, 2012.

14. TRANSACTIONS OUTSIDE NORMAL COURSE OF BUSINESS

The Water Security Agency was created in October 2012 to bring all aspects of water management together to ensure protection of water quality, maintenance of aquatic habitats and sustainable water supplies.

In 2013, drinking water and wastewater management, aquatic habitat and water quality programs, and 36 FTE's were transferred from Ministry of Environment. This transfer resulted in the following transactions outside the normal business for 2013:

General Revenue Grant	$1,221,902
Drinking water & wasterwater operating expenses	$1,116,000

As well, for the transfer of capital asset from Ministry of Agriculture:

Addition to tangible capital assets	$7,542,070
Accounts Payable	$3,364,058
General Revenue Grant	$4,178,012

15. FINANCIAL INSTRUMENTS

WSA's financial assets consists of cash and accounts receivables. Financial liabilities consist of accounts payable and long-term debt.

Credit risk
WSA is exposed to credit from the potential non-payment of accounts receivable. The carrying amount of accounts receivable represents WSA's maximum credit exposure which, as of March 31, 2013 is $7,543,000 (2012 - $7,411,000). The allowance for doubtful accounts is $nil (2012 -$33,000).

Liquidity risk
Liquidity risk is the risk that WSA will not be able to meet its financial obligations as they become due. WSA monitors its cash balances and cash flows from operations to meet its requirements.

Interest rate risk
WSA is exposed to interest rate risk on its fixed rate long-term debt. The fixed rate instruments subject WSA to a fair value risk due to interest rate fluctuations in the market.

WATER SECURITY AGENCY
Schedule 1 - Contract Revenue

Year Ended March 31

	2013	2012
	(Thousands of Dollars)	
Canadian Wildlife Service	$ 143	$ 210
Environment Canada	214	89
Wildlife Habitat Canada	90	111
Natural Resources Canada	182	95
Provincial Council of Agriculture Development and Diversification Boards of Saskatchewan Inc.	49	53
University of Regina	-	273
Other	185	281
	$ 863	$ 1,112

WATER SECURITY AGENCY

Schedule 2 - Expenses by Program

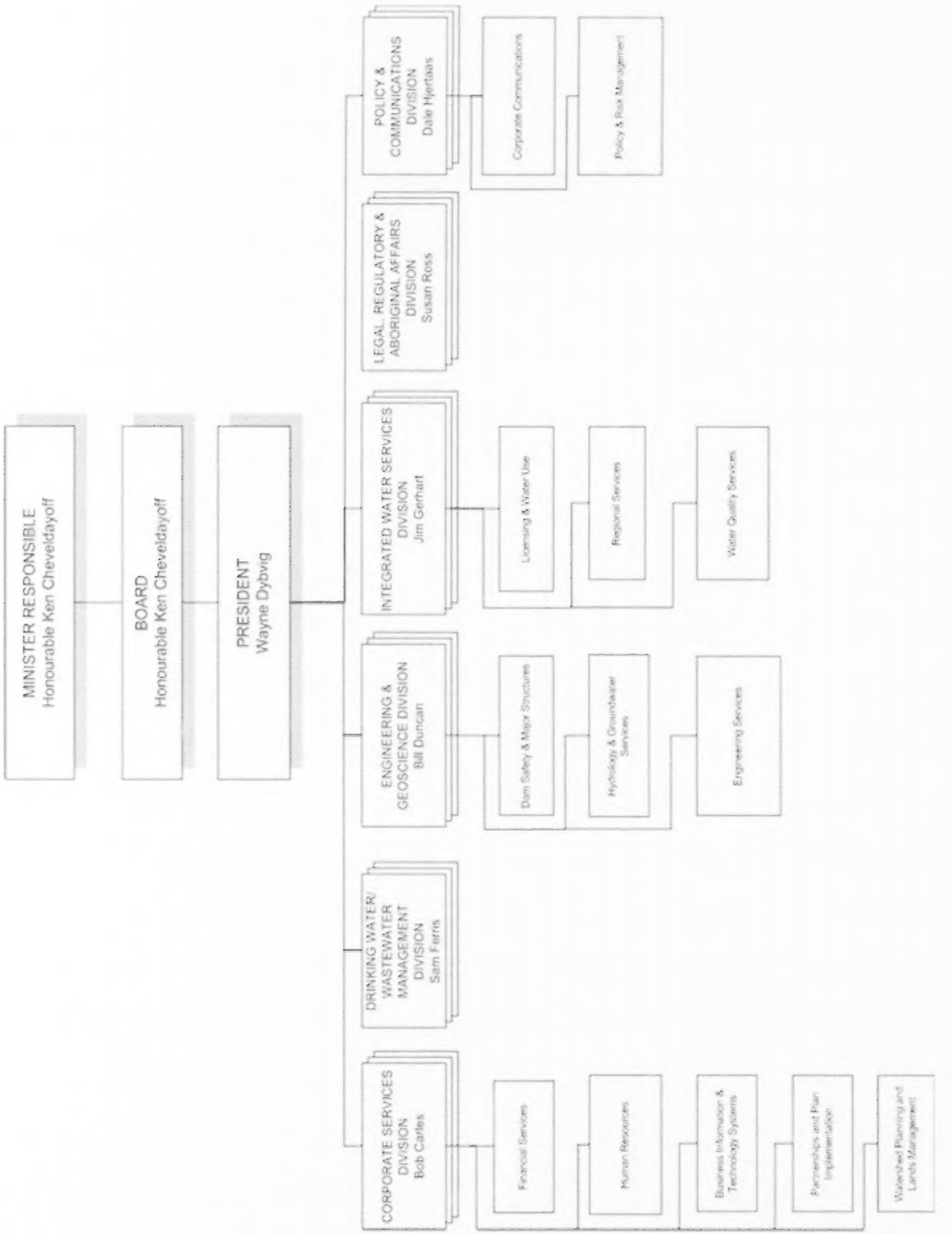
Year ended March 31

	Corporate services	Regional services	Infrastructure management	Stewardship projects & administration	Watershed monitoring & assessment	Watershed planning	Hydrology services	Interjurisdictiona water management & administration	Groundwater management	Drinking & wastewater management	Interest & amortization	**2013 Total**	**2012 Total**
	(Thousands of dollars)												
Salaries and benefits	$ 4,665	$ 4,053	$ 2,934	$ 597	$ 1,168	$ 439	$ 1,342	$ 388	$ 491	$ 859	$ -	**$ 16,936**	$ 15,870
Travel and other staff costs	388	308	215	98	160	33	183	40	11	56	-	**1,492**	1,419
Professional services	450	569	388	414	180	23	34	17	99	33	-	**2,207**	1,945
Office supplies	762	120	49	12	27	8	23	17	8	12	-	**1,038**	821
Materials	1	10	131	61	27	-	16	-	6	2	-	**254**	206
Contractual services	25	199	143	21	-	2	630	185	-	-	-	**1,205**	1,106
Cash grants	-	2,207	-	1,163	-	13	-	-	-	-	-	**3,383**	3,312
Salary allocations	(2,889)	939	(284)	101	203	86	344	139	(2)	152	-	**(1,211)**	(1,830)
Other expenses	1,076	262	301	20	174	25	79	59	41	2	5,137	**7,176**	7,497
Total	$ 4,478	$ 8,667	$ 3,877	$ 2,487	$ 1,939	$ 629	$ 2,651	$ 845	$ 654	$ 1,116	$ 5,137	**$ 32,480**	$ 30,346

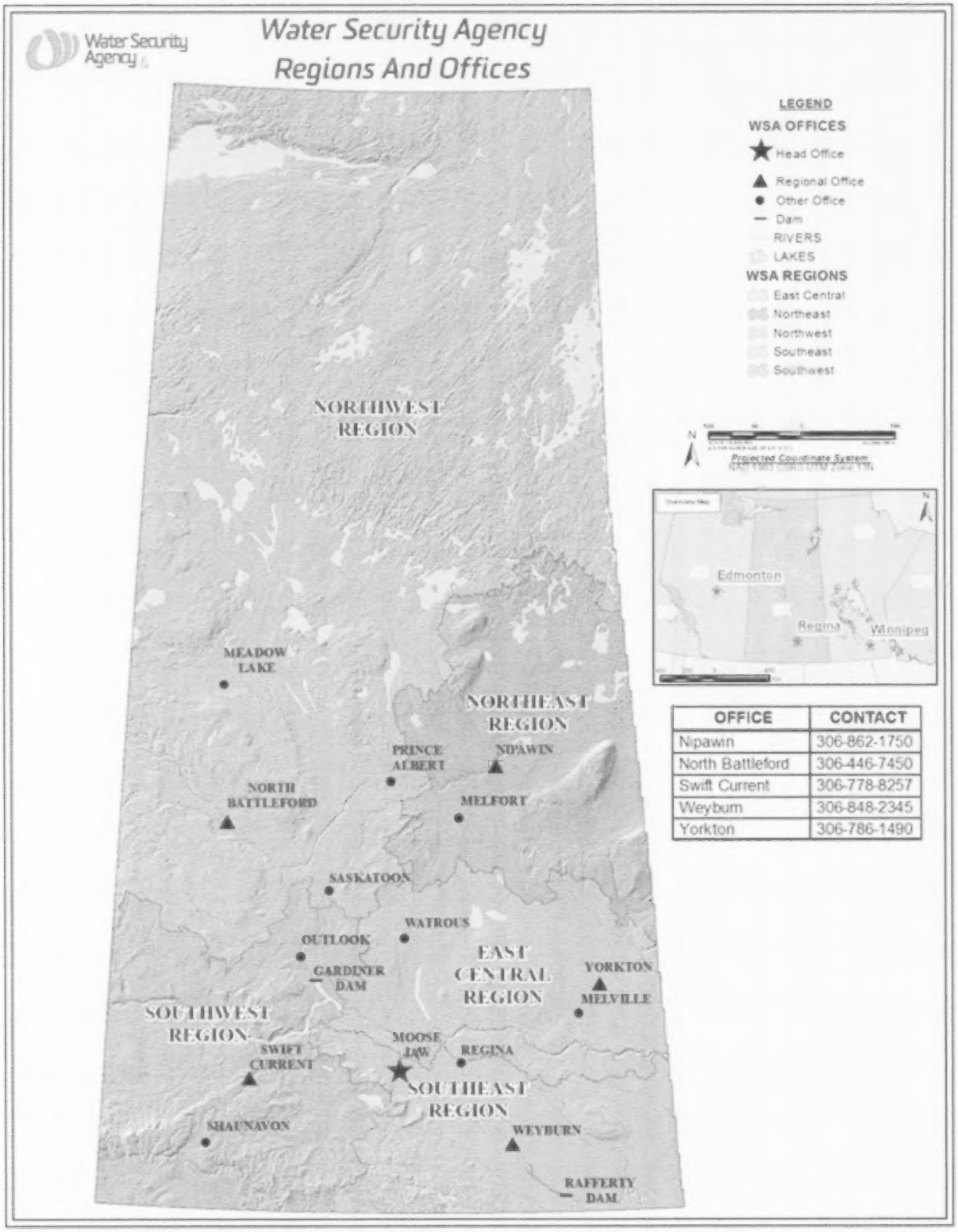
For More Information

More detailed information can be obtained by visiting the Water Security Agency's website at www.wsask.ca, calling its head office in Moose Jaw at 306-694-3900, or contacting the water inquiry line toll free at 1-866-SASK-H20 (1-866-727-5420) or saskH20.ca.

Appendix A - Organizational Chart



Appendix B - Regions and Office Locations



OFFICE	CONTACT
Nipawin	306-862-1750
North Battleford	306-446-7450
Swift Current	306-778-8257
Weyburn	306-848-2345
Yorkton	306-786-1490